FINANCIAL TIMES



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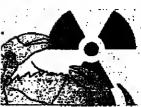
Europe's telecoms Sweeping away the monopolies



Road to the Elysée Why Balladur thinks his time has come



'Sofort billiger' What the EU did to Austrian prices



Alice Stewart Unsung heroine of medical research

PepsiCo campaign aims for top spot in world cola markets



multimillion dollar attempt to break Coca-Cola's dominance of international cola markets, with a series of television commercials which will test the laws of comparative advertis-ing. The advertisements, to be screened in 30 countries, will take a bumorous swipe at

Pepsi's rival. They will include scenes of an elderly Italian woman falling asleep over a Coke or of supermodel Cindy Crawford (above) reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans. Such explicit presentation of a rival's product is banned in some countries. Page 12

Groupe des Assurances Nationales, France's state-controlled insurance company, confirmed it would need a recapitalisation from the government of up to FFr3bn (\$566m) to cover losses for the 1994 financial year. Page 13

British Inflation rises: UK government ministers played down fears that another sharp rise in interest rates was needed to stop the economy overheating, as official figures showed a big jump in inflation and one of the largest falls in unemployment on record. Page 12 and Lex; Samuel Brittan, Page 10; Editorial Comment, Page 11

Clinton shores up Mexico package: President Bill Clinton moved to shore up crumbling support for a \$40bn package of loan guarantees to Mexico, as worries that congressional approval could be delayed depressed the Mexican stock market and the peso. Page 5

US and Russia say ties will endure: The US and Russia pledged to keep their relationship intact after a two-day meeting, but both sides acknowledged there were substantial differences over security issues, Page 3

IBM judge removed after 40 years: The 84-year-old US judge who has overseen IBM's antitrust battle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality. Page 5

Chinese inflation eases: Inflation slowed in China in December for the second successive month, reversing a trend that pushed annual consumer price rises in late 1994 close to 30 per cent.

Digital Equipment, struggling US computer group, reported a return to profitability in its second fiscal quarter with a modest increase in revenues and sharp cost cutting, including the loss of

BTR, UK based industrial conglomerate, will announce today that Ian Strachan, deputy chief executive of mining group RTZ Corporation, will succeed Alan Jackson as its chief executive early next year. Page 13

US Nintendo fights Samsung: Video game maker Nintendo of America has started legal action against Samsung, accusing the Korean chipmaker of supplying chips with Nintendo software to people pirating one of their most popular games. Page 16

Drug sales rise: Drug sales in the world's 10 biggest markets reached \$100bn between January and October last year, a 5 per cent rise over the same period in 1993. Page 6; Roche and Pfizer results, Page 14, Lex, Page 12

Spain 'on track' for Emu: Spain is on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997 in line with the Maastricht treaty's conditions for economic and mone-tary union, said Spanish finance minister Pedro

Czechs seek higher retirement age: The Czech cabinet passed a controversial draft law which will raise the retirement age for men from 60 to 62, and for women from 54-57 to 57-61, depending on the number of children they have.

Brussels defeated on big bikes: A European Commission plan to ban powerful motorcycles from European Union roads was defeated by European MPs. The proposal would have limited the power of motorcycle engines to 100 brake horsepower, affecting bikes above about 650cc.

Stone Age cave paintings found: Caves containing 300 perfectly preserved Stone Age paintings of bison, reindeer, rhinoceros and other animals – apparently untouched for some 20,000 years have been discovered in southern France.

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Earthquake island mourns its dead with flowers

By Emiko Terazono in Awajishima, Japan

Amid the slow chant of the Lotus Sutra by nine Buddhist monks clad in purple and saffron, the residents of Hokudancho, on the island of Awajishima, gathered yesterday for the joint funeral of 38 earthquake victims.

White chrysanthemums were laid in front of the coffins, placed on a stage in the town hall auditorium. Three of the coffins were smaller than the others, for children who lost their lives in Tuesday's earthquake, which had its epicentre below the island. Families of the victims sat in

the front rows, wrapping them- attending the funeral, some

selves tightly in relief blankets. "My bouse fell on me, but I was rescued by my brother," wept one relative. "I'm sure mother was also waiting for help." One middle-aged woman staggered out of the auditorium in tears,

supported by family members.

Although Awajishima did not see the widespread fires of nearby Kobe, old-style houses in the northern part of the moun-tainous island were destroyed. Many of the victims were those who could not be rescued from under rubble of their bomes. In Hokudancho, many resi-

dents were forced to take shelter in the town ball. Although

The death toll from the Kobe earthqueke passed 3,000 last night, with more then 850 still unaccounted for under the rubble. Reecue efforts eppeared dwarfed by the growing disaster,

and covers as if to shut out reality. Others tried to look on the bright side. "We should be grateful that at least we're alive," said an elderly woman.

tral Kobe and infrastructura

Among those who had died in Hokudancho were an 11-monthold baby and a two-year-old child.

remained crippled two days after Japan'a worst earthquake for irly 50 years. There are signs that the damage bill could be far earthquake, where costs were cal-Reports, Page 4; Observer, Page 11

the father of one child, his eyes red from grief, peered into the small coffin, and placed there a box of chocolates.

Friends of the children cried silently as the coffins were carried away. But even as people paid their respects to the dead. after-sbocks from the earth-

quake, accompanied by a deep growling sound, shook the island. "Luckily we have enough food and other supplies sent to us, but the water pipes have been totally destroyed," the Hokudancho mayor told people in the audito-rium. "This [earthquake] is no

one's fault; we just have to help

each other and live through it." New tremors, although small, bave kept residents of Awajishima awake. Mr Takuhei Tono, a middle-aged resident, said the shaking made more real the pre-dictions by seismologists that a btg aftersbock would hit the

region within 10 days.
In Ichinomiyacho, just south of Hokudancho, the damage was not

spite of police warnings that some houses were in danger of crumbling. They carried out whatever they could including food and bedclothes.

The island's residents are mostly part-time farmers, cultivating flower and fruit fields, and commuting to offices in Kobe and Osaka. For some farmers in the south, there was little damage to property, and it was almost life as usual yesterday as they tended flowers to be shipped to other parts of the country.

A large statue of a goddess survived in the south of the island, but many shrines and temples in the north were destroyed.

Balladur joins Chirac in French presidency race

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, yesterday declared his long-expected candidacy for the presidency, claiming that he had got the economy "moving forward again" and that he would secure a "prosperous, fair and influential" future for

The 65-year-old prime minister's decision hrings into the open the split in his Gaullist RPR party, whose long-time leader, Mr Jacques Chirac, is also campaigning for the presidency.
In spite of Mr Balladur's over-

wbelming lead in the opinion polls, two-thirds of RPR parliamentary deputies and regional federations have declared for Mr Chirac. Mr Balladur has all but four of his 29 ministers on his side, as well as the rank and file of his centre-right UDF coalition

In an eight-minute television broadcast, Mr Balladur said he planned to wage a "positive, serene and optimistic" campaign for the two-stage election. There will be a final run-off on May 7 between the two candidates who receive the most votes in the first round of voting on April 23.

Balladur exploits his novelty appeal. ...Page 2 Editorial CommentPage 11

French presidents are elected for

seven years. The Socialist party will choose its candidate on February 5, and there is still an outside chance of Mr Raymond Barre, the former prime minister, or Mr Charles Millon, the UDF parliamentary leader, running in UDF col-

Competition for the Socialist nomination - turned down last month by Mr Jacques Delors, the outgoing European Commission president - revived yesterday as Mr Henri Emmanuelli, the party first secretary, entered the fray against Mr Lionel Jospin and Mr Jack Lang, two former education

As prime minister in office and frontrunner in the polls, Mr Bal-ladur yesterday made no mention of Mr Chirac or the seven other declared candidates.

Promising more detail during the campaign, he kept to general-ities about "indispensable reforms" in employment, educa-

tion, the fight against corruption, and about making France "the

motor of European progress". The campaign coincides with France's chairmanship of the European Union Council of Ministers, so other European governments, as well as French voters, will want to know what line Mr Balladur as president would take in next year's EU constitutional

conference. Mr Balladur's rivals were quick to respond vesterday. Mr Jean-Louis Debré. Mr Chirac's campaign manager, said he was baffled that the prime minister should run on a platform so similar to that of Mr Chirac, while 18 RPR deputies revived the potentially damaging charge of Mr Balladur's alleged betrayal of Mr

They took a full-page advertisement in the Liberation newspaper to reprint Mr Balladur's statements hefore he hecame prime minister in April 1993 that he would not use the office as a springboard for the Elysèe.

Complaining of Mr Balladur's soporific style, the Socialist Youth Movement said: "Having Balladur as president would be like dressing France in pyjamas





Balladur: plans 'positive, serene and optimistic' campaign

Volvo to expand its automotive operations in Europe

By Kevin Done in London and Christopher Brown-Humes in

Volvo, the Swedish car and commercial vehicle maker, yesterday announced plans to invest around SKr5bn (\$671m) in the expansion of its car and truck businesses in Europe.

The group is moving aggressively to strengthen its automotive operations after the collapse of its planned merger with Ren-ault, the majority French stateowned vehicle maker, more than

a year ago.
The expansion comes as Volvo's profitability is recovering in response to a tough restructuring programme carried out during the recession and to rising

demand in world auto markets. Volvo, the world's second largest beavy truck maker, is investproduction outside North America by 20 per cent to 60,000 trucks a year by 1997.

 joining forces with TWR, the specialist UK automotive engineering group controlled by Mr Tom Walkinshaw, to produce

Continued on Page 12 Lex, Page 12 Volvo takes wraps off expansion strategy, Page 15

Fate of Italian government in balance

By Robert Graham in Rome

The fate of Italy's 54th postwar government bung in the balance last night as moderates in Mr Silvio Berlusconi's Forza Italia movement yesterday sought to head off a direct clash between the former premier and Mr Lamberto Dini, his newly appointed

At the same time Mr Dini appeared ready to woo Mr Berlusconi and his allies in the outgoing rightwing coalition hy offer-ing them some junior ministers

But as Mr Berlusconi formally handed over his office to Mr Dini at the Palazzo Chigi yesterday, the two men themselves gave little sign of being willing to com-promise. Mr Bertusconi remained furious over the way Mr Dini had ignored pleas to include ministers openly sympathetic to the coalition in the cabinet. The government's precarious plight left the financial markets nervous with the lira trading at L1,055 against the D-Mark. As the 20 strong cabinet of

> Continued on Page 12 'Nothing personal', Page 2 Lex. Page 12 ocratic legitimacy of the Commis-

wins MEPs' support

tation with EU governments. After a two-day debate, the par-

liament rallied behind Mr Santer and voted to support the 20-mem-ber Commission by 416 votes to 103, with 59 abstentions. The vote marked a coming of

age for the 626-member parlia-ment. Along with recent EU members from Austria, Finland and Sweden, the MEPs exercised new powers granted under the Maastricht treaty to approve or vote down the incoming Commission as a whole. But, in a deft performance, Mr

Santer called the Parliament's hluff over its criticism of five commissioners. His promise to upgrade or personally supervise policy on equal opportunity, development policy and buman rights deflected calls for a reorganisation of portfolios.

sion. "There are two winners: the new Commission and the Parlia ment," be said, "You don't only exert influence by saying No, you can also carry weight by saying

honhomie, the manoeuvring pointed to a future power struggle between the Parliament, the Commission and the EU's governing Council of Ministers, which is likely to come to a head during the 1996 inter-governmental con-ference to review Maastricht.

Many MEPs remained outrag that she had been misquoted.

Mr Santer beld three conversations with Ms Bjerregaard to extract a pledge to respect and co-operate with the Parliament. Aides described the new commissioner as "unbelievably stub-

Santer Commission

The European Parliament yesterday gave a resounding vote of confidence in the new European Commission led by Mr Jacques Santer, averting a confron-

"I am very happy with the result," said Mr Santer. Yester-

day's vote was also considerably stronger than the lukewarm endorsement be won from the Parliament last July.

Mr Klaus Hänsch, speaker of the Parliament, said the vote of

confidence strengthened the oem-

Despite mutual expressions of

by an alleged remark by Ms Ritt Bjerregaard, the new Danish commissioner, that the Strasbourg assembly was "not a real Parliament", though she insisted

The Santer Commission will begin its five-year term on Monday after EU foreign ministers rubber stamp the necessary legal documents. One of its first challenges is to deal with French demands for a revision of the television without frontiers directive, to restrict the import of cheap foreign film and television programmes, particularly from Hollywood.

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Berlusconi and allies thwarted by new PM, writes Robert Graham

Dini victim of others' political ambitions

The cynical treatment of the supposed victim of a p Mr Lamberto Dini, remove him from power. Italy's new prime minister, by his colleagues in the outgoing government is remi-nisceut of the traditions of mails gunmen. When the hitman confronts his victim and pulls the trigger, he mutters: It's nothing personal."

In withdrawing support the moment Mr Dini presented his cabinet to President Oscar Luigi Scalfaro, former premier Silvio Berlusconi and allies have sought to stop the new administration in its tracks. This had little to do with the person of Mr Dini, one of the few distinguished ministers serving under Mr Berlusconi, or with those chosen for the slimmed-down 20 person cabinet - even though there were complaints about the failure to include ministers from the out-

going right wing coalition. The real reason was much cruder. The nature of Mr Dini's emergency mandate conflicts directly with the political ambitions of Mr Berlusconi

A successful Dini government, the second to be headed by a technocrat premier from the Bank of Italy in two years, would highlight the inadequacies of Mr Berlusconi's eight month period in office. More important, the longer Mr Dini stays prime minister, the more Mr Berlusconi becomes separated from the apparatus of power. Also, the media magnate curned politician cannot sustain indefinitely the sympa-thy vote he is drumming up as week to persuade Mr Berlus-coni and his allies to change

the supposed victim of a plot to

Mr Berlusconi therefore ueeds quick elections. As a compromise to break the deadlock last week over his resignation, he accepted Mr Dini as premier of a government of technocrats on condition that elections be held no later than June. At first be demanded elections at the end of March.

President Scalfaro made no public commitment to a date for elections. Nor did Mr Dini, as this would make the government hostage to fortune. Besides, a June election would allow the new government less than two montha effective operations as 45-60 days have to elapse between the dissolntion of parliament and the holding of elections.

Two months would be extremely short for the four essential tasks Mr Dini has set his government - improving public finances (an early minihudget), reforming the deficit-ridden state pensions system, introducing new regional electoral laws and providing for more balanced controls of the

If Mr Berlusconi did not realise these considerations when he agreed to back Mr Dini for premier, then he was poorly advised. Alternatively, he and his main ally, Mr Gianfranco Fini, the leader of the neo-fascist MSI/National Alliance, wanted to sabotage the operation from the outset.

Mr Dini uow has less than a

their minds and back him in the parliamentary vote of confidence which the new government must face. The 63-yearold premier has at best a razor thin one or two seat majority in the chamber of deputies with the support of the centre parties, the moderate left and a full complement of the Northern League. Reconstructed Communism, the hard core of the old Italian Communist party, will vote against Mr Dini on the grounds that a

the centre-right.
Yesterday it looked as though Mr Dini might just scrape through the vote. Failure would make it very diffi-cult for President Scalfaro to find someone else. It would also be a hlow to the head of state's prestige, having staked everything on avoiding early elections.

left-wing party cannot support

a free-market government of

The cabinet team Mr Dini has put together reflects his commitment to President Scalfaro to find technically able people with little direct counection to political parties. None is a sitting member of parliament and only two have had previous ministerial expe-

Mr Dini has relied heavily on academia with seven out of 20 coming from Rome's Sapienza University, Some are old acquaintances identified with the former Andreotti wing of the Christian Democrats. He retains the key treasury portfo-lio but has appointed Mr Dino



Mr Dini on his way to work at Palazzo Chigi yesterday

official, as his deputy. The budget portfolio has gone to the respected economist Rainer Masera, the head of Imi; while the finance ministry is filled by Mr Augusto Fantozzi, a tax expert who has not always agreed with Mr Giulio Tremouti, the outgoing minister and author of tax reform pro-

The labour ministry, due to play a vital role in dealing with pension reform, has goue to Mr Tiziano Treu, a leading labour

law expert and respected by the unions with whom he will have to deal. The posts ministry, which will have to tackle reform of television licensing,

has gone to Prof Agustino Gambino, one of the three men selected hy Mr Berlusconi to draw up anti-trust legislatiou on his media holdings. One novelty is the introduction of a military man. General Domenico Corcione, former chief of defence staff, to head the

EUROPEAN NEWS DIGEST

Austrian

shoppers

benefits

from EU

On January 2, the day shops opened after the new year holi-

day, the Viennese could hardly

believe their eyes. The price of

a quarter litre of whipping cream had halved to less than Schlo (92 cents).

Ever since, shoppers have had to get to the supermarkets

before noon if they want to get their beloved Schlagobers. "It

is unbelievable. Can people

really be hoarding whipping cream?" asked one Viennese

The fall in champagne prices

s less dramatic, but neverthe-

less welcome, at around 10 per cent, thanks to the removal of

tariffs protecting the local

And this is only the begin-

ning. Over the next few months, prices on a broad

range of consumer items, from

cars to insurance policies,

should fall markedly.

The cause of this windfall is undebatable. It is Austria's

entry into the European Union.

many food products in Austria

were predictable because the country agreed to join the

Common Agricultural Policy

(CAP) from the moment it

became a member of the EU.

While many people look on the

CAP as an expensive farm sub-sidy system, Austria's own subsidy system was even more

Thus the real costs of dairy and grain related products slumped overnight and the leading supermarket chains

made the most of the situation

by launching price wars. One

claimed it was cutting prices

ou 800 items, another responded with reductions on

In some stores, milk is down

by a fifth to Sch8 per litre. White flour has tumbled two

thirds, "Ab sofort billiger!" ("immediately cheaper") shout signs in the Billa supermarket

chain decorated with a circle of

Prices of many processed

roducts have come down well

before the raw material price

changes can have been felt.

by 15 per cent to 20 per cent.

Declines in others, uotably

Mrs Brigitte Ederer, Euro-

pean affairs minister, has pre-

dicted that EU membership

will save Austrians some

Schl.000 per month on grocery

shopping bills.
Complaints from farmers

have been muted so far as they

will receive direct payments

over the next three years to

cushion the blow. EU support

for mountain farmers will be

more generous than the local

In other sectors EU competi-

tion rules are forcing change.

The Austrian National Bank

last week announced that it

would stop allowing the savings banks' central institu-

tions to earn 25 per cent on

minimum reserves at the cen-

tral bank. This has been a bla-

tant discrimination in favour

of tha savings banks worth some Sch600m a year. Commercial banks receive no interest

Mr Helmut Kramer, director

on their minimum reserves.

European countries.

beer, are expected soon.

more than 1,000.

blue EU stars.

bloated.

The sudden big price cuts on

omemaker last week.

cream off

Accountants in Procedo action

The German arm of Price Waterhouse, the internations accountancy group, has made a preliminary legal claim of DM2.34bn (\$1.53bn) against Procedo, the factoring company linked with Balsam, the sports flooring concern which collapsed last year. It said this was a precaution in case it had to pay damages to Procedo's creditor banks, which have accused the auditor of failing to spot fraud. Price Waterhouse also said Vienna is all about champagne and whipped cream. So what could make the Viennese hapit would submit a similar claim against Balsam and two Balsam managers. Price Waterhouse said its lawyers believed pier than sudden and massive price reductions to these two Balsam and Procedo bore responsibility for deceiving the audifrothy adjuncts to the good

tors about the fraud. Procedo filed for protection from creditors last summer with bank debts of DML8bm. This followed alleged fraud at Balsam, its biggest client. As Balsam's factoring agent, Procedo bought its biggest client. As Balsam's factoring agent, Procedo bought up most of the company's claims on customers. But the invoices mostly turned out to be worthless. The custracts had been inflated or fabricated, creditors alleged. Price Waterhouse and its unit FMP were auditors for Balsam, whose management board is under arrest for allegedly obtaining credit through fabricated data and using the money for fareign exchange speculation. The creditor banks are preparing a DM250m claim against Price Waterhouse but the auditing firm said the banks' claims were unfounded and it was defrauded in the same way as the banks. Andrew Fisher. Fronkfurt in the same way as the banks. Andrew Fisher, Frankfurt

French discover cave paintings

The French government yesterday announced the discovery of a series of underground grottos containing some of the most a series of underground grottos containing some of the most important prehistoric wall paintings unearthed for many years. Researchers in the Ardèche region in southern France are studying more than 300 pictures in the caves left by prehistoric painters between 18,000 and 20,000 years ago. The discovery many the research present the research of the present the research product of the present the pre

to ensure the paintings' security.

The paintings could radically change archaeologists' understanding of the region's babitat in the prehistoric period because they include pictures of animals, such as the rhinoceros, not previously known to exist at thet time. Archaeologists said the paintings were at least as significant as those discovered at the famous sites of Lascaux and Altamira. The paintings include human hands, a large number of individual animals and herds, and fighting scenes of hons, horses, bison and panthers. Mr Jacques Tonbon, minister of culture, said he was "extremely moved" by the discovery, which would lead to a considerable scientific programme. Andrew Jack, Paris

Germany refuses UN appeal

15

the and

Strate

Germany yesterday told Mr Boutros Boutros Chall, United Nations secretary general, that it was not prepared to set aside troops from the Bundeswehr for the UN's planned rapid reaction forces. Mr Boutros Ghall, who yesterday met Chancellor Helmut Kohl, Mr Klaus Kinkel, foreign minister, and Mr Volker Rühe, defence minister, wants Germany to play a greater role in the organisation's peacekeeping operations. But there is un political correspons assessed Commencer and the commencer is un political correspons assessed. there is uu political consensus among Germany's main political parties or between the foreign and defence ministries about the extent of Bonn's military role in the post-cold war era, "In principle we support the idea of this standby troop arrangement. But each case has to be considered. Also, we are still waiting to know the command structure of these units," a foreign ministry official said. Germany first committed troops to the UN in 1993 after it was ruled no longer unconstitutional for German troops to serve out of Nato territory. Germans already man Nato's Awar aircraft over Bosnia and recently Bonn said it was prepared to send troops to help if UN forces withdraw from the former Yugoslavia. Judy Dampsey, Bonn

New measures to defend rouble The Russian central bank, in its uphill struggle to defend a plummeting rouble, yesterday imposed tough new reserve requirements on commercial banks. Bankers were critical of the rules and sceptical that they would help the rouble. The

banks to convert 2 per cent of dollar holdings into roubles at the interbank exchange rate and to deposit these roubles with the central bank. It also increased the reserve rate for short-term liabilities from 20 to 22 per cent. These measures come on top of Tuesday's requirement for commercial banks to reduce their open currency positions by 30 per cent. The rouble, which was trading at 3,883 to the dollar on the interbank exchange yesterday and changing hands among dealers at even lower rates, showed few signs of recovery. Chrystia

UN commander flies to Tuzla General Sir Michael Rose, UN commander in Bosnia, yester-

day flew to Tuzla, the north-eastern Moslem stronghold, in an effort to end a hlockade by Bosnian government forces of UN troops. Bosnian government forces have blockaded some 1,000 UN peacekeepers for eight days in protest against the deploy-

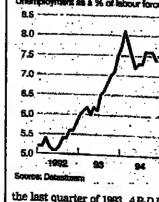
favour of Mr Ejup Ganic, Moslem vice president. The federation agreement, which was brokered last spring by Washington, to end a year of fighting between the Moslems and Creats, calls for the post to be rotated between the two communities every six months. The Croats argue that if Mr Ganic becomes president the Moslems will hold all key posts in the federation. Laura Silber, Belgrade and Anthony Robinson, London

German shopping hours study

for the liberalisation of shopping hours seemed to be increasing but he did not intend to force the issue ahead of a study due this summer. After meeting retailing associations on Tues day night, he said he would now invite trade unions for discussions. Unions are hostile to any relaxation of shopping hours as they believe this would put more pressure on their

ECONOMIC WATCH

Rise in Dutch unemployment slows



the Netherlands rose by 6 per ber 31, 1994 from the same period a year earlier, the Dutch Central Bureau for Statistics reported yesterday.

Consumer prices in Austria were unchanged in December from November and were up 2.6 per cent from a year earlier. Bulgaria posted a current account surplus of \$403.6m in the third quarter of 1994 after a \$182.3m surplus in the previous

Balladur exploits his novelty appeal

EUROPEAN

PROFILE Edouard Balladur, who yesterday formally announced his bid for the presidency, is that he is a relatively new product on the market. It may seem odd that the 65-

year-old prime minister should be regarded as a novelty, particularly when he is older than anyone else in the race, including his Gaullist rival, Mr Jacques Chirac, two years his junior. But compared to Mr Chirac, thrice a minister and twice prime minister, Mr Ballater's Matignon office in April 1993 having been a minister for only two years - in 1986-93 - and with little parliamentary experience.

True, he has wou election three times, but French MPs must resign their seats when they become ministers. Mr Balladur thus only sat on the benches of the National Assembly during the 1988-93 years of conservative opposition.

lt would in any case be hard to imagine him emerging out of the burly-burly of a British or German parliamentary system. Mr Balladur has an orieutal aura of smooth inscrutability, a quality that could be glibly attributed to being born into an expatriate French banking family in Smyrna (Izmir in modern Turkey) if it were not for the fact that CGE company which eventu-

Oue of the undoubted France's PM may be the oldest candidate but is

picture him as the senior official that he was for Georges

Pompidou when the latter was prime minister (1963-68) and president (1969-1974), gliding in Jeeves-like with dosslers and advice to help his master crack such crises as the May 1968

By giving pay increases to the unions, the then govern-

Equally, one could see him as a priest; he is said to get his socks from Rome to go with his old-fashioned three-piece suits from London. Indeed, when the death of President Pompidou in 1974 brought his Elysée service to an end, the incoming administration of Mr Valery Giscard d'Estaing offered him the ambassadorship to the Vatican. He refused, and began a

relatively new on the scene, writes David Buchan his parents moved to France ally became today's Alcatel

when he was very young. By contrast, it is far easier to

ment deflected workers from on the streets. The experience left Mr Balladur with a fear of social explosion recurring, which showed itself when he yielded to Air France strikers m autumn 1993.

long stretch in business

He worked first for the company building and operating the Mont Blanc tunnel, close to his present-day holiday home at Chamonix, and then for the

group. The associations and friendships he developed dur-ing this period, with the likes of Mr Pierre Suard of Alcatel and with the Rothschild fam-

rises very early in his apparently rather gloomy 19th cen-Mr Balladur came to the premier's office having been a minister for only two years

ily, bolster his image as a

"grand bourgeois", though one

with an austere work ethic. He

tury-style apartment near the Trocadero, and is generally at his Matignon desk by 7am. Ou the road to becoming favourite for the presidency, he has had his share of lnck. "There is no great career in which chance does not play a role," he noted last year. That was before Mr Jacques Delors, the European Commission president and the only man to top Mr Balladur recently in the opinion polls, decided not to run for the Elysée. So, Mr Balthe way his erstwhile patron, Mr Chirac, enticed him back into politics, parachuted him into a well-to-do constituency in Paris's 15th arrondissement in 1986, and then promptly made him finance minister in his government. But Mr Balladur bridles at

Mr Chirac's charge that be betrayed an understanding whereby he got the Matignon in return for leaving Mr Chirac with a clear run at the Elysée. The Balladur camp insist, man became prime minister because Mr Chirac did not want the job again, and that even if the latter had desired a third stint in the Matignou, President François Mitterrand would never have allowed it.

It is, however, equally true that back in 1990 Mr Balladur had lulled any Chirac suspicions by writing that a new prime minister should not himself run for the Elysée. Sometime thereafter Mr Balladur changed his mind. Quite when is not clear - perhaps as long ago as April 1993 when he effectively widewed his own political base hy giving more than half the cabinet jobs to the centre-right UDF federation, the RPR Gaullists' coalition partner, perhaps later that year when be had hrought ladur might have had in mind France through the Gatt crisis.

All he will say is that "one day I had the feeling I could do a little less badly than the others". This double negative is very Balladurian, illustrating the inner resolve and outer caution of the man. Typical of this caution is Mr Balladur's expressed bope to reduce the record number of 3.3m unemployed by 200,000 a year over the next few years; he resolutely refuses to turn this into an election "pledge", even though figures and forecasts by Insee, the official statistics ageucy, show that precisely such an improvement is cur rently taking place in the job

has started to reform the welfare, health and pensiou systems and to relaunch privatisation, thus partially refuting charges, from the right as well as the left, that he has been a do-nothing prime minister. But he has never claimed that the fact that he has had to "cohabit" with a Socialist president has restrained him from moving faster, acknowledging rather that the pace of reform has been more determined by his own cautious temperament. Indeed, he believes his douce

cohabitation with President Mitterrand has been a cause of his popularity. In press conferences at European or bilateral summits with foreign leaders, he has sat demurely listening to his chief of state, and biding his time. Now he reckons that

Spain 'on track' to cut budget deficit

By David Marsh and Tom

Mr Pedro Solbes, Spanish finance minister, said vesterday Spain remained on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997, in line with the Maastricht treaty's conditions for European economic and monetary union (Emu).

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In the face of financial market doubts over Spain's economic strategy, Mr Solbes outlined plans for fresh spending cuts next year, in addition to a new package of 1995 budgetary savings which will be implemented before the end of this month.

rapid end to the last 10 days of exchange rate turhulence which has prompted strong selling pressure on the peseta, weakening the currency to Pta87 to the D-Mark. "The eco-

Mr Solbes said in an interview he was confident of a

last year. The peseta has weakened amid doubts over the stability of the minority government of Mr Felipe González, the prime minister, following a string of political scandals. Mr Solbes said the foreign exchanges were "paying too much atten-

tion to political uncertainties" and he emphasised that the

government would not bow to opposition calls for early general elections. According to authoritative estimates in Madrid, the Bank of Spain sold DM4bn (\$2.6bn)

the exchange rate at the end of Mr Solbes refused to comment on the central bank's reported intervention, saying only that the institution had "comfortable reserves".

Mr Solbes brushed aside doubts about Spain's ability to fulfil its Emu convergence pro-gramme, announced last summer, under which the budget deficit is due to be reduced to 5.9 per cent of GDP this year. to 4.4 per cent in 1996 and to 3 per cent in 1997. Last year's budget deficit is estimated to have been 6.7 per cent. "I think there have not been

Mr Solbes is already having to weather a setback to his 1995 budget plans caused by the impact of higher capital market interest rates on

improvement in the hadget deficits through increased tax revenues as the domestic economy picks up in the next two years, but he conceded that efforts to cut spending in real terms would be necessary next

of the Austrian Institute of Economic Research, says he is now confident that inflation will fall from last year'a 3 per cent to 2.5 per cent this yes Real economic growth will reach 3 per cent, he predicts, Spain's debt service costs. He the same level as last year and expects to announce specific restrained only by a rapid measures within the next two increase in import penetration weeks to redoce 1995 expendi-

Kohl tries again for consensus on energy

Chancellor Helmut Kohl has summoned ministers, party leaders and parliamentary faction heads to talks next week aimed at reviving a debate on how Europe's most powerful economy uses

and pays for its energy. The talks, which are supposed to set out a long-term energy strategy particu-larly for the coal and nuclear power year-long effort to negotiate a crossparty compromise on energy. They were not resumed last year because of the elections. But Mr Kohl and his min-

sure to resume the talks following a recent decision by the constitutional court. The court ruled that current methods of subsidising the country's unprofitable coal industry were iniconstitutional and insisted that the government find alternative ways of financing domestic coal by 1996.

Currently, each tonne of German coal is subsidised by about DM180 (\$118) in order to match low import prices. A tonne of west German coal costs DM280-DM290 compared to imported coal which costs DM83-DM90 a tonne. A 7.5 per cent levy on industrial and consumer electricity prices, known as the Kohlepfennig, was introduced in 1976 to

protect domestic coal production against cheap coal imports. Total annual subsidies amount to DM7.5bn. However, the country's main political

parties are deeply divided about how to subsidise the industry. Mr Kohl's governing Christian Democrats want to finance coal through a tax on electricity which would be largely horne hy domestic consumers and not industry. The Free Democrats, junior partner in the coalition, shift between scrapping the subsidies completely and a Europe-

The Christian Socialists, the CDU's Bavarian sister party, oppose any energy tax because it would be disad-

CSU will only discuss the future of the Kohlepfennig provided it is linked to a discussion about the future of the

The opposition Social Democrats. however, whose traditional power base rests in the coal regions, is in favour of an energy tax across industry. Mr Gerhard Schröder, prime minister of Lower Saxony, wants the tax to partly support coal, but also to use the revenue to finance ways to develop renewable energy. Industry is set to oppose any energy tax, a point Mr Kohl will make clear on January 27.

in sectors where Austrian supsufficiently important changes pliers have suddenly become nomic fundamentals are ture hy Pta150bu (\$1.12bu), good," he said, adding that he on Tuesday of last week when to alter our view ou couverlargely focused ou reduced uncompetitive. the Spanish currency touched transfers to public sector comhoped the peseta would soon gence." said Mr Solbes, return to Pta85 to the D-Mark, Pta88 to the D-Mark. However The minister expects names. Ian Rodger

By Judy Dempsey in Bonn

industry, collapsed in late 1993 after a isters are coming under increasing pres-

an-wide energy tax.

vantageous to uuclear power, an impor-tant energy provider in Bavaria. The nuclear industry," a CSU official said.

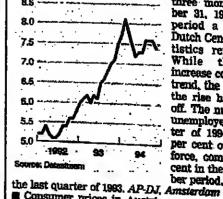
ment of a Serb liaison officer at the Tuzia airfield.

In Sarajevo, a session of the assembly of the Moslem-Croat federation was cancelled yesterday when Mr Kresimir Zubak, Croat president of the federation, refused to step down in Croat president.

A domestic cement cartel Mr Gunter Rexrodt, German economics minister, said support has had to be scrapped, but it had heen pretty well under-mined in the past five years by cheap imports from eastern

members. Mr Rexrodt said opinion among retail groups ranged from support for complete liberalisation to maintenance of the status quo. Andrew Fisher, Frankfurt

Registered unemployment in



While the year-on-year increase continued a two year trend, the latest data indicate the rise has started to level off. The number of registered unemployed in the last quar-ter of 1994 amounted to 7.4 per cent of the Dutch labour force, compared with 7.6 per cent in the September-November period, and 7.1 per cent in

■ Slovakia's industrial output rose by 8.3 per cent in November compared to the same period last year.

TRAC MALER SERVICES

untants | Russia and do action US discuss status of ties

By Bruce Clark in Geneva

The US and Russia pledged yesterday to keep their relationship intact but both sides acknowledged that there were substantial differences between them over security

Mr Andrei Kozyrev, the Russian foreign minister, described as "businesslike" diplomatic code for blunt disagreement - his two days of talks in Geneva with Mr Warren Christopher, the US secretary of state, during which the US expressed strong concern over the bloodshed in Chech-

nya. In a clear admission of disagreements, be said US-Russian relations were "maturing" to the point where "they can withstand open and husinesslike discussion of any issue". Mr Christopher said he had reaffirmed Washington'a willingness to provide economic aid to Russia, and he won an assurance from Mr Kozyrev that Moscow was still committed to democracy and economic reform. However, the US feared that the war in Chechnya was threatening reform and Russia's standing in the world. Mr Kozyrev said he was sure

would "stay and endure" despite the fact that it was weathering a number of international problems".

The Russian minister said internal question" and any discussion of the issue was part of an exchange of information "on domestic problems" between himself and Mr Chris-

This would imply that Mr Kozyrev questioned Mr Chris-tophar ahout US domestic problems - a tactic often used by the Soviet Union when it faced western criticism over human rights issues.

Mr Kozyrev said there was optimism that "we are not going to have a cold peace". However, in a sterner note, he described as "timely" President Boris Yeltsin'a warning at last month's European security summit that the continent could plunge into "cold peace" if Nato expands too fast.

Mr Christopher said he used the Geneva talks to emphasise that the US-Russian partnership still existed, although it would be difficult to maintain if Russia took any more "steps in an undemocratic direction". This was an implicit warning that the new Republican-dominated US Congress would stall



Russian foreign minister Andrei Kozyrev (left) in Geneva yesterday with US secretary of state Warren Christopher

sia, or the ratification of disarmament treaties, if Russia's bebaviour in Chechnya does

not improve.

The remarks came as Mr Yeltsin ruled out direct peace talks with Chechen leader Dzhokhar Dudayev, casting further doubt on hopes that the five weeks of fighting in the breakaway republic might end in a negotiated settlement. Mr Yeltsin said that he would not speak to Mr Dudayev, whom he accused of "staging a genocide" against his own people. Mr Dudayev,

whose capital city has been under intense Russian hombardment since the beginning of the month, sent envoys to Moscow earlier this week who claimed on Tuesday to have negotiated a ceasefire with the Russian government.

However, Mr Christopher said he would call for ratification of the Start II disarmament treaty at senate hearings next month. Mr Christopher described the US-Russian link as one "that is continuing to work and . . is of great impor-tance to the US".

The aecretary of state has welcomed the renewed prominence in recent days of Mr Victor Chernomyrdin, the prime minister, who is seen as a relative moderate within the Moscow administration and has been at the forefront of moves to secure a ceasefire in Chechnya. Mr Christopher said he thought the prime minister - who appeared to be sidelined when the war in Chechnya was launched last month - was now acting with the full

Moscow suspicion grows

Kremlin factions are at odds over policy, writes Chrystia Freeland

with the International Monetary Fund in Moscow this week, Russian officials are expected to warn their western interlocutors that massive western assistance is necessary if Russian

reforms are to stay the course. But even as Russian officials try to woo the IMF, some of their comrades, in various branches of the government, are seeking to drum up a wave of anti-western sentiment.

The most infinential exponents of this tendency are within Russia's powerful and hardline security council. Officials within the security council, whose authority has been enhanced by the drawn-out war in Chechnya, have pre-pared a draft document proposing a "government strategy to ensure the economic aspects of national security."

ument is devoted to a discussion of "foreign threats" to Russia's economic aecurity. These include the export of raw materials, leaving domes tic industry unable to operate, too much foreign control over Russian exports, over-depen-dence on imported goods, and, in an issue made topical by the central bank's futile efforts

government. Western consultants have been banned from the corridors of the Ministry of Privatisation. Western organisations, like the Soros Foundation and the US Peace Corps, here to offer technical advice and humanitarian assistance. have been accused of spying

disturbingly, in an internal

One section of this draft docthis week to stem the fall of the rouhle, "ineffective state control over hard currency".

The security council'a subtle warnings about the "foreign threat" to the Russian economy have been echoed by a more stridently anti-western for the CIA. And, perhaps most

Counter-Espionage Agency. published in a leading Russian newspaper last week. The head of the counter-intelligent agency, the leaner successor to the Soviet KCB, is one of the key figures in the security council. The report alleged that

Western assistance organisations have been accused of spying for the CIA. And, perhaps most disturbingly, there has been a warning of a US strategy to take control of the Russian financial system

memorandum, a senior technocrat in the central hank warned of the "thought-out strategy" of American banks to take control of Russia's financial system.

Western observers in Moscow point out that periodic outbursts of anti-western sentiment are nothing new in Russia, and are offset by Russia's openness to the west since the collapse of communism. But the most recent wave of xenophobia was sufficiently serious to prompt Mr George Soros, the Hungarian-born market player, to visit Moscow to try to bold back the tide.

Mr Soros's foundations, which are involved in a number of projects geared towards encouraging the growth of civil

western organisations with offices in Moscow, including the Soros Foundation, the Ford Foundation, the Carnegie Institute and the Peace Corps, are nests of US agents whose goal is to "thwart Russia as a state, which has the potential to compete with the world's only

prominently in a report, alleg-

edly leaked from Russia's

increasingly powerful Federal

Mr Soros said he was satisfied by assurances he had received from senior government officials, though not from tbe security forces, that his foundation continues to enjoy backing from the Russian gov-ernment, which has co-financed some Soros projects. "Clearly, there is a clique

that has temporarily gotten the upper hand and made a mess of it." Mr Soros said. have penetrated even the tecb nocratic corridors of the Russian central bank. In an internal memo, widely circulated among Russian officials this month, Mr Andrei Kozlov, head of the hank's securities department, alleges that American investment hanks are plotting to take cootrol of Russia's financial system.

The memo is a nine-page argument against a proposed amendment to legislation on banking which would restrict the right of Russian banks to participate directly in the securities market. It alleges that the change in the law is being advocated by agents of American banks, who seek to hobble their only potential competitors in Russia's capital markets, Russian banks.

"In this manner," Mr Kozlov writes, referring to the proposed amendment, American brokers and American financial capital are "seeking to seize strategic control in the division of property and the process of foreign investment in Russia"

For some foreigners in Russia, warnings like these uf western conspiracies to, alternately, seize control of Russian capital markets or to fatally weaken the Russian state, have been accompanied by more

personal harassment. Mr Michael McFaul, a consultant at the Carnegie Endowment for international Peace, a western think-tank with offices in Moscow, says that members of parliament bave been

West voices doubts on Kremlin's liberalisation of oil trade

By Chrystia Freeland in Moscow

Western businessmen yesterday said they were sceptical that Russia's decision to lift quotas on oil exports earlier this

month would have any real effect. The decision to liberalise oil exports is crucial because the International Monetary Fund, in Moscow for negotiations this week, had said Russia had no hope of receiving IMF money if it did not free oil

But observers say that the formal deciston to liberalise exports - controversial because it threatened to boost domestic print in the legislation. Specifically, they point to the fact that a government committee, rather than the open auction system some western economists have advocated, will determine exporters' access to pipelines, "It looks to me like a quota system under a different name," a western oil executive said. "The committee determining pipeline allocation will replace the committee which handed out

An official from a western financial institution agreed that although "the decree itself is a bopeful sign" there is a danger that "you could have the same prices - may be obstructed by the fine flawed system come in through the back

door". The official predicted that the degree of transparency in the operation of the allocation committee will emerge as an important Issne in current Russian negotiations with the IMF and would figure prominently in the ongoing power struggle within the Russian government.

"This was an issue over which blood was spilt and I don't think the people whose incomes are at stake will disap-But while the government will be under pressure from the DMF to stiffen the oil

export decree, other provisions of the law have already come under open fire from

domestic lobbles. Mr Vagit Alekperov,

ment to reduce the Ecu23 (£9.2) per tonne export tariff applied according to the "No oil company has such cash. Exporting has become absolutely unprofitable," Mr Alekperov said, adding that the tariff

should fall to Ecul5 per tonne. Mr Alekperov and other seulor oil trade officials said producers would feel the sharp end of the tariff measure, while

pure trading companies living on commis-sions would not be directly affected. He also nhjected to demands by the

president of Lukoil and Russia's most "Where will we get this money from?" he powerful oil baron, called for the govern-

"We propose that customs tariffs should be levied after money is deposited in our account, but no more than 45 days from the moment of the oil being loaded."

Lukoil produced 43.6m tonnes of crude oil last year and exported 10m ontside the former Soviet Union. This compares with total Russian ontput of 316m tonnes and exports of 89m tonnes.

But according to Mr Jonathan Hoffmann, a director of economics at CS First Boston in London, the Russian government's expected revenues in 1995 from oil export tariffs are already overly optimis-

tic. Caving in to pressure from the oil lobby would reduce those revenues further and put an additional strain on the government's already fragile 1995 draft

Russia's often tense political relations with its neighbours pose an additional threat to oil exports. A pipeline from the Caspian Sea runs through embattled Chechnya.

Earlier this month Russian oil exports to eastern Europe were interrupted by a row between Russia and Ukraine, which demanded higher transport fees for Russian oil exported through a pipeline on its

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Japan quake death toll climbs above 3,000

The death toll from the Kobe earthquake passed 3,000 last night, with more than 850 still unaccounted for under the rubble of the

Rescue efforts appeared dwarfed by the disaster, as fires continued to blaze in central Kobe and infrastructure remained crippled two days after Japan's worst earthquake for nearly 50 years. Attempts to

200,000 bomeless were hampered by traffic jams on the few usable roads from Kobe port, while rescue efforts

RELIEF WORK

made little headway because of a shortage of power shovels. An estimated 2.3m people in Hyogo Prefecture, where the devastation is worst, are without ade-

ship food and water to the nearly of health and welfare estimated. The eartbquake aid conld total government sent in troops, in an operation criticised by business leaders for arriving late, and ordered the immediate construction of 1,000 temporary bomes. Prime Minister Tomiichi Murayama is to visit the stricken area today.

The government earmarked Y100bn (£644m) for immediate aid and is considering an extra budget for further belp, said Mr Kozo Igarquate water supplies, the ministry ashi, chief cabinet secretary. Official

Y3,000bn, said officials of the Liberal Democratic party, dominant member of the roling coalition. Cheap state loans are to be made available to companies hit by the

There are signs that the costs of reparing the damage will be far higher than last year's Los Angeles earthquake, where costs were calculated at \$20bn. The Tokyo office of JP Morgan, US investment bank,

pnts the damage at between Y4,500bn and Y6,000bn, or up to 1.3 per cent of GDP. One private economist in Tokyo estimated the damage as high as Y14,000bn.

The prospect of a further rise in borrowing by Japan's heavily indebted government caused a fall in bond prices on the first day after the qoake, followed by a slight recovery yesterday. Business around Kobe remained at a near

nies starved of supplies and power and unable to make deliveries. An estimated 400,000 homes were without electricity, whila 834,000 households were without gas.

The construction ministry yesterday launched a review of mo construction standards. Ministry engineers said they were shocked the quake had toppled motorway flyovers, as these were built to withstand tremors as violent as the

Impact on city likely long-term

The devestation wrought by Tuesday's earthquake is likely to have a long-term impact on Kobe, the famous port city which suffered high canalities and much of the damage in Tuesday's quake.

Officials at Japan's trans-

port ministry expressed con-cern yesterday that the destruction of the port facili-

KOBE

ties of Kobe could cause a serious impact on Japan's external

Kobe is Japan's largest port, having handled 2.5m containers in 1998, or nearly 30 per cent of Japan's port cargo trade, according to the minis-

The quake has made it impossible to use any of the 19 container berths at Kobe port. "It is unlikely the port facilities were built to resist an earthquake of the magnitude seen on Tuesday," a transport ministry official said. Cargo was being re-routed to Nagoya-port, but congestion there is expected to disrupt shipments

significantly, he added. As rescue teams continued their efforts to save as many as possible of those still trapped in huildings or under rabble, the city of Kobe suffered further damage from aftershocks, weakened ground foundations and erosion along its waterfront where reclams tion work has extended the city into Osaka Bay.

Fires have razed more than 100 hectares of the city. More concrete structures tilted by the big quake have been toppled by aftershocks, and water seeping into reclaimed land has reduced the futuristic city of Kobe Port Island to a

anddy pool.

Kobe had been trying to establish itself as a model for future urban emires in Japan. Situated between the Rokko Mountains to the north and the Seto Inland Sea to the south, the city is famous not only for its port, one of the largest in Japan, but for its scenic beauty. The view from Rokko of the city at night is known as the "one million del-

lar scene".
Long welcoming of foreign influence doe to its historic and geographic circumstaness. Kobe is a treasurehouse of western-style architecture in . Japan, much of which was

built before the war.

In its recent history, the city has attempted to reduce. its traditional dependence on beavy industries such as fron, steel and shipbuilding, and reestablish its economic founds tions on newer industries such as fashion, leisure and information technology.

To that end, and to raise its international profile as an urban centre. Kobe has been pumping money into new developments ranging from man-made islands to high-tech and sports parks.

The city was in the middle of a second development phase Port Island - aimed at doubling the reclaimed land mass where an international conference centre, museums, residential areas and other facilities

The commercial and residential development of Rokko Island, another man-made site,

is also scheduled for completion in 1999. It will take months, if not years, to rebuild the damaged

parts of the city. Port facilities are likely to take at least six 1 months to repair, according to shipping officials. While it is no consolation for the large number of people

who lost their homes, the trag-edy provides Kobe with an opportunity to plan much needed improvements to the city, where many of the houses destroyed were old and cramped into narrow areas. One urban planning special-

ist said that, when Kobe began reconstruction, it could use the chance to widen reads and improve urban living conditions. It has the forward-looking spirit needed to rise from

Public sector set to bear the costs Rebuilding will

Government and markets brace for quake's financial fallout, writes **Gerard Baker**

s the extent of the devastation from Tuesday's earthquake grew clearer yesterday, the government and private sector began to hrace themselves for the financial implications of the

tragedy.
The rehuilding of Japan's industrial heartland will require the diversion of substantial resources. Widespread uncertainty exists about its economic consequences.

The first estimates of the likely cost of reconstruction were highly tentative, since there has not been such a destructive earthquake in Japan in modern times. The

ECONOMY

only comparable recent event was the Los Angeles earth-

quake a year ago. Estimates of the repair costs there are more than \$20bn (£12.5bn) and rising, but the cost of rebuilding Kobe is likely to be much greater, according to Mr Masaru Takagi, senior economist at Fuji Research Institute.

The Japanese quake was more intense, lasted longer and was in an area far more populous and asset-rich than the worst-hit areas of Los Angeles. With construction costs in Japan running at more than twice those in California, conservative estimates in financial markets yesterday put tha repair bill at substantially over Y4,000bn (£25bn).

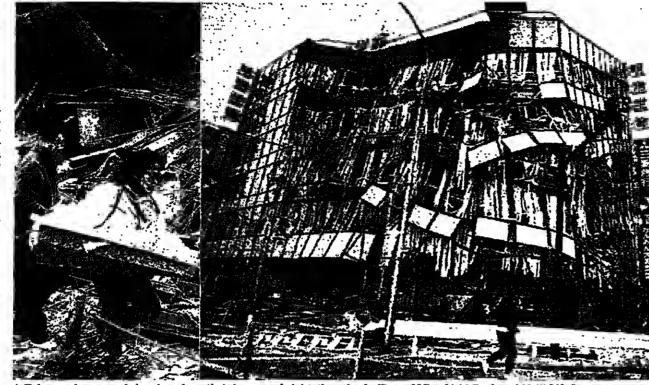
The public sector will face most of the costs. Officials yesterday indicated that a special emergency budget is likely to be drawn up within the next few weeks to meet the burden. Damage to infrastructure is

In addition to the direct pubroads and water supplies, its on financial markets.

George Bush in mid-1989.

Won3m (£2,400).

of the continued aid suspension.



A Kobe couple remove belongings from their home, and right, the ruined offices of Mitsubishi Bank and Meiji Life Insurance

strategic national importance means the government is expected to pick up a substan-tial part of the cost of repairing and replacing capital in private hands: railways, power utilities and telecommunications. The authorities are expected to fill much of the gap left by the widespread absence of insurance cover for the local popula-

Mr Dick Beason, chief econo

Expect a significant splash in bond market'

mist at James Capel Pacific in Tokyo, estimated that the cost for the government will be at least 50 per cent of the total. That would put the public share of costs at a minimum of Y2,000bn, a figure that has lic sector responsibility for raised concern about the strain

ASIA-PACIFIC NEWS DIGEST

Bhutto to meet

Clinton in April

Ms Benazir Bhutto, Pakistan's prime minister, will visit Washington in April for a summit with US president Bill Clinton, a senior government official in Islamabad said yester-

day. It would be the first such meeting since she saw President

The US cut off aid to Pakistan the following year over

allegations that Islamabad was producing nuclear weapons.

Pakistan denies the charge. However, during the past six

months, the two sides have sought to strengthen ties in spite

Mr William Perry, the US defence secretary. this month

visited Pakistan, describing it as important in the region and a moderate Islamic country. The two countries revived a consul-

tative group comprising senior defence officials. Farhan Bok-

Japan regained its ranking as the world's top ship exporter

last year, reversing its second place to South Korea in 1993, according to figures published yesterday by the Japan Ship

Exporters' Association. Export contracts for Japanese compa

nies rose 64.1 per cent to 9,992,000 gross tons, representing 249

vessels. The figure was the highest since the shipping boom

year of 1973, when Japan exported more than 573 vessels at

Association officials attributed the performance to efforts to

secure orders ahead of the completion of projects by their

South Korean rivals, and to increased automation which

improved productivity. But exports are expected to fall this

year as a result of price competition. Gerard Baker, Tokyo

South Korea bans toothpicks

Toothpicks are to be banned from South Korean restaurants to

make leftovers fit for pigs. The environment ministry says

farmers have complained that discarded toothpicks often kill

pigs and other animals fed with the leftovers. Violators of the ban, which takes effect on February 1, face fines of up to

Other regulations taking effect at the same time will prohibit the use of plastic bags and wrappings in supermarkets and grocery stores except for such items as meat, poultry and vegetables. The rules call on manufacturers to reduce the amount of packaging material generally as part of a drive to

■ The European Commission signed an \$83m aid agreement

with Cambodia as part of a 30-month rehabilitation pro-

■ Leading Malaysian banks raised base lending rates by 10

basis points. For Bank Burniputra, the increase to 6.75 per cent

followed 13 successive cuts over two years. Reuter, Kuala

gramme centred on rural development. Reuter, Phnom Penh

reduce garbage and encourage recycling. Reuter, Seoul

Japan is top ship exporter

"It will be a significant splasb in the government bond market this year," said Mr Bea-son, "and that will make investors demand a higher return on their boldings of debt."

Net new supply of bonds for 1995 is estimated at Y20,000bm, so the earthquake could pump an extra 10 per cent of supply into the hond market. As a result, government bond prices fell sharply on Tuesday on fears of the difficulty of absorbing the extra supply, poshing the yield up by 7 basis points

to 4.72 per cent.
But these fears may have been overdona. The extra spending will provide a substantial fiscal boost to the economy in the form of capital investment and, as such, will produce economic returns. As the markets digested the economic benefits from the extra spending, bond prices recovered some of their lost ground vesterday.

In the private sector, the main burden will be borne by the insurance companies. The Japanese non-life insurers are chronically weak, having overinvested in high-risk equities in the 1980s.

The quake has prompted renewed fears that they may be forced to liquidate further their holdings of securities to foot the bill. Insurance com-

Early estimates of the insurers' liabilities suggest these fears may be misplaced. Because of the limited extent of seismic activity in the Kobe region, less than 4 per cent of householders had optional earthquake cover. Figures for commercial coverage are unavailable but are unlikely to

Insurance sector's worries are longer-term

be greatly higher. Yesterday, the Marine and Fire Insurance Association said the value of earthquake insurance contracts in the area was Y1,200bn. But since not all homes were

affected by the quake, the total liability is likely to be much lower. According to Mr Mark Faulkner, financial services analyst

at SG Warburg, this figure should not seriously undermine insurers.

They have combined catastrophic loss reserves of Y1,100bn with extra reserves for special fire and automobile of which may be even more insurance of more than

pany share prices have fallen Y600hn. "Even if the final costs sharply since Tuesday as a turn out to be higher, companies should be able to absorb the impact reasonably comfort-

ahly," he said. But risks remain. The government is likely to persuade the insurance sector to shoulder more of the burden than their legal liabilities imply, and companies are unlikely to turn away pleas for belp from thousands of uninsured

A bigger problem will confront the insurance sector in the longer term. The vulnerability of Japan's capital base to the Kobe quake surprised many companies, which had based their estimates of their liabilitles on over-optimistic assumptions about the resistance of buildings to eartb-

quake damage. That judgment will now need to be revised, and may weaken further insurers' balance

Japan probably has enough private and public sector liquidity to cope with the extra direct costs associated with the earthquake. But the real financial damage will be long-term.

The tragedy in the Kansai area will force the country to improve its preparedness to deal with other quakes, some

take a year

By William Dawkins

Japan's leading industrial companies yesterday began to assess the damage from the Kobe earthquake. As reports poured into the anxious beadquarters of steel, car and electronics producers, it became clear it will take at least a year to repair Japan's industrial

There are two costs: direct damage to manufacturing plant, and disruption to supplies and deliveries caused by smashed roads and railways.

At national level, the impact will be softened by the fact that Japan has plenty of sur-

plus industrial capacity to compensate for closures in Kobe. Last year, industrial Japan was running on average at just over 70 per cent of capacity, the lowest level for 18 So disturbance to a region

Kansai, which accounts for 12 per cent of national output, could even jolt Japanese industry into doing more about its structural problems, even if at a tragic cost.

Important industrial losses reported yesterday were: ■ The region's steelmakers, producers of 25 per cent of Japan's steel output, reported moderate damage to plant and equipment but serious disrup-

tion to their ability to deliver This, plus the steel demand for the rebuilding of Kobe, will help to ensure that the rise in world steel prices continues, Mr Stephen Wolfe, equity analyst at UBS Phillips & Drew in

Tokyo, predicts. Worst hit was Kobe Steel, a leading integrated producer. which believes its blast furnace in the port area will stay closed for about a month, but hopes to restart operations at another steelworks, in nearby Kakogawa, in two to three days.

Kawasaki Steel, Japan's third largest producer, kept its two finishing plants in the area closed for the second day running, because of power cuts. Sumitomo Metal restarted a blast furnace, while Nippon Steel, the world's largest steel company, planned to restart a steel sections plant in Osaka. ■ Electronics companies were also failing to restore production. Matsushita, the world's largest consumer electronics

producer, halted deliveries from a Kobe warehouse because its automatic racking system failed.

Power cuts also forced it to close an information equipment plant for 3D games machines and word processors. Omron, the leading maker of process control systems, was forced to halt exports of components and other products because it could not transport

Hosiden, a producer of high quality liquid crystal displays-

INDUSTRY and electronic components, closed its Kobe factory, starved of supplies and power. Anxious US customers bombarded their Japanese offices with inquiries. Mitsubushi Electric, tha machinery producer, said only

200 of its 3,800 employees made it to work, but that its five plants in the area were little damaged. ■ In the car industry, Daihatsu an affiliate of Toyota, has closed two car assembly plants, with a combined capac-

ity of 50,000 vehicles a month, because it cannot get parts.
Toyota, which will also suffer production interruptions, yesterday despatched 200 engineers from its headquarters in Nagoya, north of Osaka, to

Mazda suspended production at two plants for the second day yesterday, but it plans to restart in the next few days. Until then, 12,000 workers are

suspended from duty.

In shipbuilding, Mitsubishi Heavy Industries was unable to open its yard in Kobe because nobody could get to work through the morass of mud around the docks caused by the liquefaction of damp ground that occurs in big quakes.

A Sumitomo Rubber tyre and golf ball factory in Kobe, accounting for a quarter of the company's entire output, has closed indefinitely because of direct earthquake damage. The quake also destroyed

Samitomo's 50-metre factory. chimney, a well known landmark since before the second world war. Its absence is a mark of how

Kobe will never be the same Additional reporting by Mitsuko Matsutani

TOKYO

Road chaos hampers recovery by industry

The collapse of the tight mesb of infrastructure between Kobe and Osaka was the big factor hampering rescue efforts yesterday.
It will be the main constraint

on the recovery of local indus-

The few plants able to work vectorday were starved of supplies and are unlikely to be able to deliver for days or weeks, because of almostim-passable roads and restricted rail services.

INFRASTRUCTURE

Only one of the three main motorways around Kobe and neighbouring Osaka, Route 2, was usable yesterday. Of the other two, officials estimated it will take a year to repair a 650m section of the Hanshin Expressway, the main road from the port of Kobe into Osaka. Sections of the third motorway, Route 43, also col-

lapsed. Motorway closures in Japan are more serious than in other countries because alternative routes are usually slow. It is hard to drive a large delivery truck through the

maze of lanes that make up most of Kobe and Osaka, even when they are not strewn with Distressed Japan Public Highway officials admitted shock at the destruction of

motorways designed to be earthquake proof. It was a first taste of the re-examination. and the possible criticism, that could come later. Only a year ago, a team of Japanese researchers returned from inspecting collapsed motorways after the Los Angeles quake to report that

Japan's ostensibly better built

roads would never suffer such

damage. Trains have fared little better. The Shinkansen express going south towards Kyusbu will be out of action until March or later, officials said, while services north to Tokyo were running at half their normal frequency. Local lines could only manage a third of normal sched-

Highway closures are more serious than elsewhere

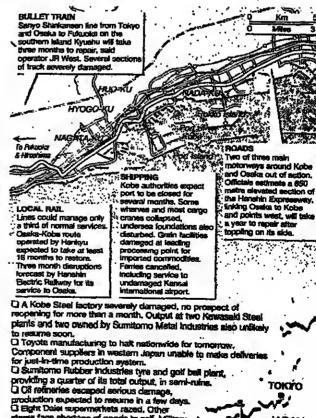
Power is another problem. with 400,000 families and thousands of husinesses in Kobe deprived of electricity yesterday and 834,000 households without gas. Officials said it would take

Telecommunications were down in the area between Osaka and Kobe, at the centre of the damage. Outgoing calls were possible from Osaka, but

two weeks to restore electricity

and one-and-a-half months to

bring gas supplies back to nor-



China inflation slows for second successive month

By Tony Walker in Beijing

China's inflation for December slowed for the second soccessive in late 1994 close to 30 per cent.

The State Statistical Burean reported yesterday that December's consumer price index was up 25.5 per cent on a year earlier, and down two percentage points on the previous

figure represented better news for the government, but it was premature to judge whether a clear trend towards lower inflation had been established.

"The real test will come in the spring when comparisons are made with lower inflation figures of mid-1994," said one economist. China's inflation eased in the second quarter last year before rising sharply in the second half. China has said it plans economists say this will depend on

month. Western economists said the to cut inflation to 15 per cent this year from 24.2 per cent in 1994, but economists believe a more realistic figure is 17-20 per cent. Figures for December showed rural consumer prices rose faster than in urban cen-

The improved inflation result beightens prospects of China achieving a "soft landing" in its efforts to curb an overheating economy, but

continued monetary restraint.

di Egift Daiel superind in a rew days.

C Egift Daiel superind is razed, Other stores face shortage of goods to self, Maltany helicopters may aid shipments.

Q Number of bank branches unable to open

China's economy grew 11.8 per cent last year, compared with more than 13 per cent in the previous two years. The government wants further to reduce economic growth to 9-10 per cent this year, but is anxious to avoid an abrupt slowdown that would exac-

erbate unemployment. Central bank figures released this week showed that despite high rates of inflation, savings continue to be

robust. Since 1978, the average annual increase has been 32.5 per cent, with individual deposits reach-ing Yn2,152bn (£164bn) last year, Retail sales in 1994 grew strongly. reaching Ynt Al2bn in the 11 months to November, representing a 30.5 per cent increase over the same period the previous year. Economists warned that, while inflation will fall in 1995, price pressures will stay

month, reversing a trend that had pushed annual consumer price rises

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Clinton acts to shore up Mexico package

Markets are nervous \$40bn in US loan guarantees may be delayed

By George Graham in Washington and Ted Bardacke in Mexico City

President Bill Clinton yesterday moved to shore up crumbling support for the \$40bn (£25.6bn) package of loan guarantees he announced last week to help Mexico out of its financial crisis. Worries that congressional approval of the package could be delayed depressed the Mexican stock market and the peso.

Mr Clinton sent Vice-President Al Gore and Mr Leon Panetta, White House chief of staff, to Capitol Hill yesterday morning to try to persuade Democratic members of Congress that the guarantees were needed urgently to prevent Mexico from falling into a protracted economic crisis that would burt the US.

The president himself was due to speak to business leaders at the Treasury department later in the afternoon.

The leaders of both parties gave their support in principle to the loan guarantees at a White House meeting last

rich remains committed to bringing the necessary legislation quickly to the floor of the

House of Representatives. But Senator Robert Dole, the leader of the Republican majority in the Senate, appeared anxious yesterday to cover his rear against the possibility that the Republicans might be left shouldering the political risk of the guarantees without

Right-wing Republicans and left-wing Democrats, recreating the unlikely coalition that opposed passage in 1993 of the North American Free Trade Agreement between the US. Canada and Mexico, have criticised the loan guarantees. Between these two extremes, many other members of Congress have seen an opportunity to impose a variety of conditions on Mexico in exchange

for the guarantees.

Administration and congressional officials yesterday said they believed that the loan guarantee legislation would pass, but that it would require an all-out lobbying effort from

week, and Speaker Newt Ging- Mr Clinton and the Republican leaders to win over rank and file members in their respective parties.

the case for the loan guarantees remains silent on the datails of the legislation to implement the package, but warns that "a protracted economic crisis in Mexico would decrease US exports, increase significant Democratic support. illegal immigration to the US and, potentially, spread to other emerging markets".

> bring half a million more illegal immigrants into the US this year, with perhaps 330,000 coming to California and 100,000 to Texas, it warns. In Mexico, a successful auction of government securities and the formal announcement of a national political accord between the government and the country's main political parties did little to help Mexi-

A continued crisis could

can markets. Interest rates on 28 and 90 day Cetes, peso-denominated government debt, came down this week to 39 per cent, while

6 and 12 month paper rose 5 percentage points to 38.5 per cent. Demand was high, with 6.3bn new pesos being solicited A Treasury fact sheet circuand 2.8hn new pesos being lated on Capitol Hill to bolster accepted, more than the amount scheduled to mature

this week. Brokers said that the high demand was a sign that investors were coming back into the market, albeit at high rates.

But the high rates offered and anxieties about the financial support package sent the stock market lower. At midday the main IPC index of the Mexican stock market was down 1.64 per cent. Mexican equities trading in New York were also

At midday the peso was trading at 5.295 to the dollar, slightly weaker than Tuesday's close of 5.25. Persistent rumors that the

government bought its own dollar-decominated government securities in Tuesday's auction in order to create the appearances of investor confideoce cootinued to worry. potential investors.



Zedillo signs reform pact to end election row

Cosseted congressmen in Brazil double their pay

By Angus Foster In São Paulo

Brazil's congress has voted itself a pay rise of more than 100 per cent, while President Fernando Henrique Cardoso urges austerity and the country's planning minister looks for \$12bn (£7.6bn) of cuts to balance this year's budget.

The Chamber of Deputies has approved an increase which will take the basic salary for Brazil's 513 deputies and 81 senators to R120,000 (\$141,177) once the new Congress convenes on February 1. This is nearly 50 times the average Brazilian income of R2.500 and will reinforce the country's reputation for the world's most glaring differ-

ences between rich and poor. Congress members already have their medical, postage and most telephone bills paid by the state, and get a rent allowance for living in the capital, Brasilia. They also get three free flights bome a month, and one free flight to the former capital, Rio de Janeiro. They can retire when

they reach 50. Opinion polls already rank congress members among the least respected and trusted people in Brazil. The latest increase, fiercely attacked in the media, is especially embarrassing because the outgoing Congress faces two other sensitive votes this week.

A proposal to increase the national minimum wage, on which about 20 per cent of families rely as their only source of income, is not certain to pass because of government opposition. The annual minimum is R910, but some legislators want to increase this to R1,100. The government opposes the increase because it would add to budget problems. The second vote is on an

amnesty for Senate president Humberto Lucena. Electico authorities, backed by the Supreme Court, have ruled that he should lose his seat for illegal use of the Senate printing press during his election campaign in October. Mr Lucena has refused to leave

and is now seeking an amnesty to invalidate his expulsion. Mr Cardoso has tried so far to distance himself from both controversies but critics say he has been compromised by both. His own salary and those of his ministers were also more than doubled by Congress, despite the government's pledge to keep spending

increases under cootrol. Critics say Mr Cardoso's majority coalition is weak and that he will be forced to compromise or keep quiet on other measures, in order to pass a number of important constitu-

Appeals court removes judge from IBM case

By George Graham

The judge who has overseen IBM's courtroom anti-trust hattle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality.

Judge David Edelstein bad just started his judicial career when, in 1956, he signed the consent decree, negotiated between IBM and President Dwight Eisenhower's Justice Department, which broke up IBM's dominance over the US computer industry.

Although he will turn 85 next month, Judge Edelstein has cootinued to oversee the application of the decree ever since, repeatedly rejecting IBM's since, requests that he remove himself from the case The appeal court described

Judge Edelstein, who is believed to be the last remaioiog federal judge appointed by President Harry Truman, as one of the ablest and most experienced judges in the region.

Nevertheless, Chief Judge Jon Newman wrote, in an opinion snpported unanimously by the appeals court, "we think it manifestly clear that a reasonable observer would question the judge's impartiality on the pending issue."

The removal of Judge Edelstein could have rapid consequences because IBM asked him last year for the removal of the 1956 consect decree, which required it to stop offer-ing its computers for lease only, rather than outright sale. and required IBM to operate its service business separately from its manufacturing

IBM has argued that the decree, which was imposed wheo computers still used vacuum tubes and tbe company's dominance of the US data-processing market was clear, is no longer relevant at a time when it ranks far behind companies such as

sonal computers. The removal of a judge from a case is very unusual in the US, where the same judge can continue to supervise an entire industry for decades.

Compaq in sectors such as per-

Judge Harold Greene, for example, continues to preside over the telecommunications industry, which he revolutionised with his order 10 years ago to hreak up the old AT&T monopoly into an AT&T long-distance company and a number of regional "Baby Bells" restricted to local telephone services.

AMERICAN NEWS DIGEST

Growth nudging up US prices

Robust economic growth and tight labour markets are putting upward pressure on prices and wages, the Federal Reserve reported yesterday in its latest Beige Book survey of regional economic trends.

In a separate interview with Reuter, Fed vice-chairman Alan Blinder said there was no clear evidence yet of a slowdown in growth. Gross domestic product probably grew at an annual rate of about 5 per cent in the fourth quarter, he said.

The survey and Mr Blinder's comments increase the probability that the Fed will signal another increase in short-term interest rates at its monetary policy meeting, due on January 31 and February 1.

The survey says the economic expansion remained "vibrant" in most of the US during the six weeks to January 10, and it

found little evidence of the sharp slowdown in growth of retail speoding reported last week by the Commerce Department. There was evidence of tighter labour markets, with reports of "somewhat higher wages" in most areas. Michael Prowse,

Strike at General Motors

General Motors was hit by a strike at one of its biggest North

General Motors was hit by a strike at one of its biggest North American parts plants yesterday – a continuation of the poor labour relations which have dogged it in recent months.

The strike was called by the United Auto Workers unioo after a dispute over staff levels at the plant in Flint, Michigan. The halt in production of spark plugs, petrol and oil filters, and cruise controls, could bring some GM assembly plants to a standstill by today, union officials said.

The UAW claimed that GM had failed to hire 240 extra workers at the 6,800-worker plant, under an agreement reached oearly a year ago. GM, like Ford and Chrysler, has geoerally resisted adding new workers during the current upturn in the industry, fearing that it will be left with higher

upturn in the industry, fearing that it will be left with higher overheads when sales turn down. Richard Waters, New York

Banks can sell annuities

The US Supreme Court yesterday opened another breach in the wall keeping banks out of the US insurance business when it ruled that banks could sell annuities.

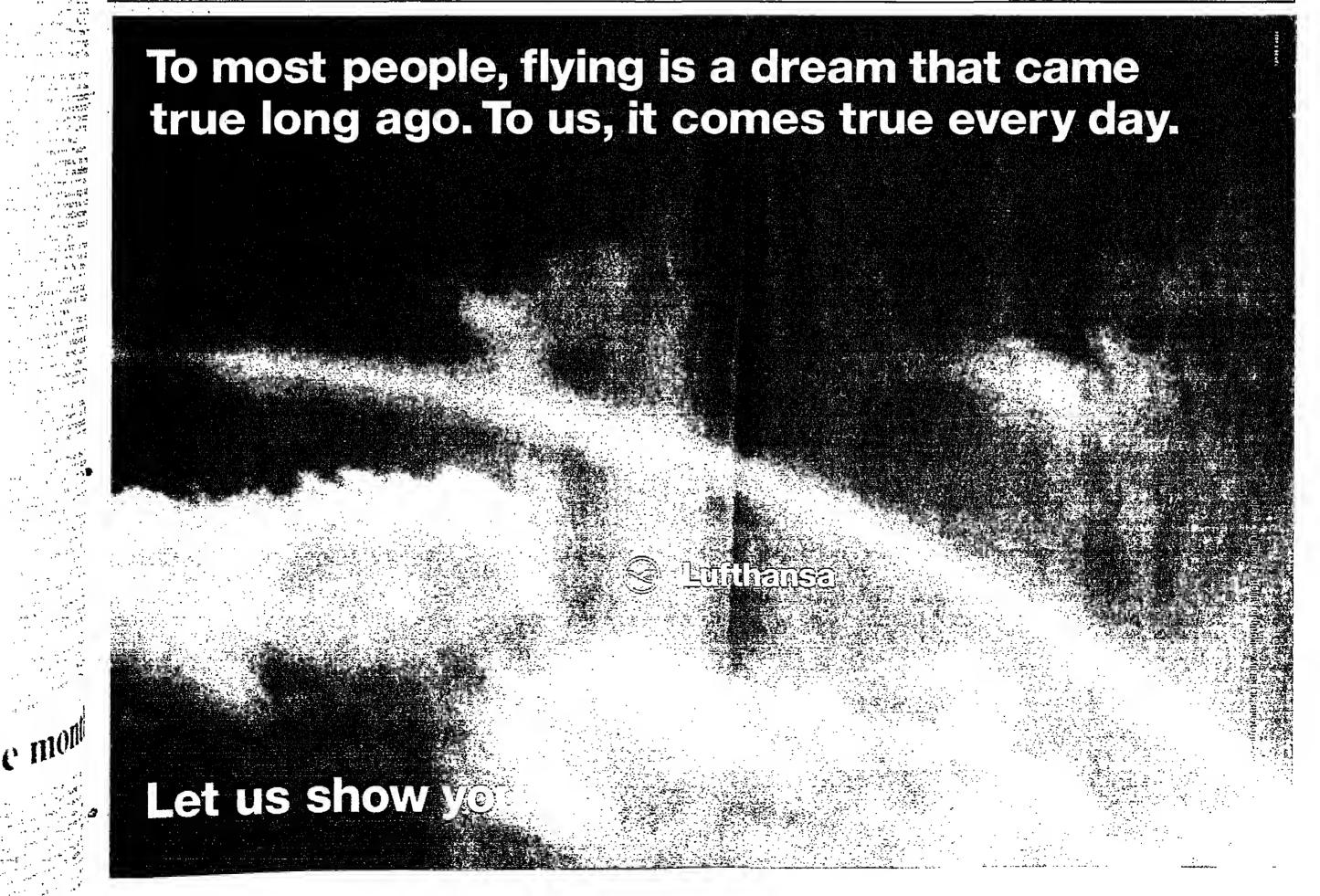
The opinioo reversed a lower court ruling that annuities were an insurance product from which most nationally chartered banks were excluded. Justice Ruth Bader Ginsburg, in an opinion supported by the other eight Supreme Court justices, said the court found it reasonable to conclude "that brokerage of annuities is an 'incidental power necessary to carry on the business of banking", and that annuities were not insurance within the meaning of the law.

Nationally chartered banks bave already been permitted to sell insurance from towns with fewer than 5,000 inhabitants, and the Supreme Court decision yesterday will expand this to larger municipalities, at least for annuities. George Graham,

Higuchi on hunger strike

Ms Susana Higuchi, estranged wife of President Alberto Fujimori of Peru, was camped outside the Lima headquarters of the national electoral board yesterday, on the second day of what she says will be an indefinite bunger strike.

Late on Monday, the board said it had disqualified Ms Higuchi's alliance from the general election on April 9. Several of the 120 names of congressional candidates on Ms Higuchi's list were ruled to be duplicated. She blames "typing errors". Sally Bowen, Lima



By Julian Ozanne in Efrat, occupied West Bank

flurry of private settlement expansion in the Israeli-occupied West Bank has re-ignited Arab-Jewish tension that could derail the Israeli-Palestinian peace process.

Palestinians fear Israel is exploiting the stagnation in peace talks to consolidate its grip over occupied lands. Those fears have been fuelled by expropriation of Arab land for a new road network and hy leaks from Israel's housing ministry of plans to build 30,000 homes in occupied Arab East Jerusalem and parts of the West Bank in the next three to four years. double the number originally planned. To most Palestinians the thickening of settlements and the new roads which will cut the West Bank into Palestinian islands spell an entrenchment of Jewish occupation.

The settlement expansion drive has split the government and exposed the flaws in the peace process and the growing political paralysis of Prime Minister Yitzhak Rabin.

A majority in the Palestinian administration is now said to favour breaking off peace talks until Mr Rabin rules firmly on the settlement

issue. Mrs Hanan Ashrawi, citizen's rights commissioner, says continued Jewish settlement has made the peace

process untenable. There is a mass scramble to create new facts on the ground which are prejudicial to the interests and the rights of Palestinians," she said. "The settlements fragment our territorial claims and ensure no geographically contiguous Palestinian state will emerge. It is a negation of the first principles of the peace process and we should call off talks to bring it to

Mr Mahmoud Abbas (Abu Mazen), a key Palestinian architect of the peace accords, warned yesterday Israel would have to choose between peace and settlements. But it is unclear whether Mr Rabin, his popularity crumbling in the polls, has the political will or courage to make such a

His government was elected on a pledge to freeze Jewish settlement in the occupied tarritories. In the peace accords Mr Rabin, concerned about the potential political backlash from 130,000 West Bank and Gaza settlers. insisted that no settlement would be dismantled until the final status talks which are due next year.

The exclusion of settlements from the interim period of negotiations allowed Mr Rabin to sell the peace agreement to Israelis. But the ambiguity of the government's position and its failure to squarely face the settlement problem by determining a final line of Israeli withdrawal gave settlers the opportunity to exploit the vacuum to continue to create new set-

Mr Rabin has met the latest settlement challenge with more ambigu-ity. Yesterday he said the government would not oppose "private construc-tion" or "natural growth" of settlements. He has also said that security dictated that Israel would never return to the borders that existed before the 1967 Arab-Israeli war. Palestinians say this essentially gives a green light to massive expansion.

Efrat is a case in point. Like most settlements Efrat possesses huge government epproved masterplans which were never fulfilled. Now the 6,000 residents of Efrat say they are merely building within those plans and are doing so with private funds. But there is a more political motive behind the recent expansion drive and, even among the Efrat setthere appears no middle ground. "I have never questioned that this land is as much a part of Israel as Tel Aviv," said Mrs Miriam Lock, who has lived in Efrat for nine years. "Our presence here is permanent and we

want to turn Efrat into a city, not just a small settlement. The Jewish people are here and we are not going to be pushed around. But if West Bank settlement is an obstacle to peace, the situation in Arah East Jerusalem is even worse.

The government treats East Jerusalem, which it annexed in 1967, as a special case and is determined to expand Jewish settlement there to stake its claim to Jerusalem as an eternal undivided capital of the Jewish state. The PLO says Israel has annexed 24 sq kms. or 33 per cent of the city's land area, forcing Arabs out by confiscation of land, demolition of homes, heavy property taxes and restricting the right of Palestinians to build. Under Mr Rabin the Jewish population in East Jerusalem has expanded by 22,000 to 170,000 and, for the first time in modern history, Jews

The government has also been gradually adding neighbourhoods onto tlers, known for their moderation. Jerusalem in what it calls "Greater

have become a majority.

New settlement units planned for 1995



Jerusalem", a still undefined area the government says is non-negotiable in future talks with Palestinians.

Ultimately, most observers believe the bulldozers and cranes are carving a new map of an expanded Israel in a potential post-peace era while the peace talks remain stalemated. As long as Palestinians keep talking the new map is gradually becoming a

Meanwhile, the IMF and the

World Bank maintain Algiers

has been a model student of

economic reform, thus sending

signals of a willingness to

move forward with new credit.

IMF managing director Michel

Camdessus insisted recently that Algiers had "scrupu-lously" abided by IMF require-

The IMP points to Algeria's

budget deficit, which shrank to

5.4 per cent as a percentage of gross domestic product in 1994

from 9.3 per cent in 1993. Infla-

tion, running in the neighbour-

hood of 30 per cent, is better

than IMF projections of 38 per

cent. Algeria's GDP growth,

meanwhile, was 0.1 per cent last year compared with .2.2

per cent in 1993, though it fell

short of the 3 per cent proj-

Algiers may have gone as far

as it can go on reforms in an

unstable political environment,

It will be hard pressed to con-

vince the IMF it can adhere to

structural adjustments such as

privatisation of its state enter-

prises, most of which have

been running at 50 per cent

capacity. As one expert on

Algeria's economy put it: "Can.

the government go out and sell a factory now? Who do they

ected by the IMF.

INTERNATIONAL NEWS DIGEST

South African amnesty invalid

The South African cabinet yesterday resolved that the controversial amnesty granted to 3,500 policemen and former cabinet ministers for apartheid crimes committed during their last days in power was invalid. The decision marks a defeat for last days in power was invalid. The decision marks a deteat for Mr F W de Klerk, the deputy president, who last week defended the amnesty, which was granted by his administration early last year under terms of the broad legislation under which many members of the African National Coogress had been indemnified. However, on Tuesday Mr Pik Botha, minister of mineral and energy affairs and acting president at the time the indemnity list was first submitted in 1991, said that a time the indemnity list was first submitted in 1991, said that a final ruling on the matter could only be made by the courts, a position which now appears to have been endorsed by the

The controversy, and the final cabinet decision, are particular larly damaging for the National party, which is due to open its Federal Congress later today its first significant conference since being defeated in last April's election. During the three-day gathering the party is expected to set out a socially conservative agenda that favours the death penalty, strongly opposes abortion and takes a tough line on labour unrest

Tanzania's reforms at risk

Heavy expenditure and borrowing by cash-strapped Tanamia is fuelling inflation and reversing gains achieved in eight years of painful reforms, the governor of the central bank said yesterday. Mr Idris Rashid told parliament that unless govern ment borrowing from commercial banks, now standing at \$60m, was curtailed it would push inflation to nearly 40 per cent from 36 per cent and derail the economic recovery programme. This is poised to wreck the peace and stability we have been enjoying," the governor said. "Gains registered between 1987 and 1992, where the gross domestic product grew at the average of 3.8 per cent, with the rate of inflation dropping from 32.4 to 21.9 are now on the reverse."

Tanzania embarked on free market reforms in 1987 after reformist President Ali Hassan Mwinyi signed a deal with the International Monetary Fund and threw out founding father Julius Nyerer's dogmatic socialist programmes. The bank chief said the purchasing power of Tanzania's shilling had been reduced by more than 78 per cent since the country embarked on the reforms. Tanzania's liquidity position worsened after traditional Nordic donors from aid last November of up to \$35m in balance of payments support because of concern at official reports that rampent tax evasion cost the country \$125m in 1993. Other donors followed suit and withhald undisclosed amounts. Reuter, Dar es Salaum.

Bankers criticise naira move

The central bank of Nigeria has debited N10hm (about \$125m at parallel rates) from the banking system in an attempt to case pressure on the naira as foreign currency trading restrictions are partially lifted for the private sector. The central bank uses these debits, known as stabilisation securities; to reduce liquidity in the system and curb inflation and devaluation. The move was criticised by bankers in Lagos who questioned whether the newly re-opened foreign exchange market would be completely deregulated as stated in this week's budget.

The government still controls the inflow of dollars from the oil companies, 90 per cent of the private sector supply, and has retained the 21 per cent ceiling on interest rates. The banks quoted a rate of N85 to the dollar yesterday on the open market. The weakness of the naira last year stemmed from the government deficit, backed by printing new notes: in last year's allocations of hard currency to the private sector at the official exchange rate of N22 to the dollar, demand exceeded supply by as much as 20 times. By last December Neebn of bank liquidity was chasing a monthly allocation of \$120m, but under the new system much of this cash should be free to bid for dollars on the open market. Paul Adams, Lagos

Banda trial is postponed

Algerian olive branch finds few takers

Government and extremists look set to continue the carnage as the west looks on, writes Roula Khalaf

tion leaders emerged triumphantly last hen Algerian opposi-tion leaders emerged Rome and offered a plan to end the country's three-year civil strife, they presented a more human face of Algeria, in sharp contrast to the daily carnage inside the country.

Yet the picture of reason and reconciliation they appeared to present to the world is likely to have little bearing on what happens in the country for the foreseeable future.

It is true that the main participants in Rome - the outlawed Islamic Salvation Front (FIS), the National Liberation Front (FLN), Algeria's former ruling party, and the Socialist Forces Front (FFS) - represent a substantial portion of Algerian society. After all, between them they won more than 80 per cent of the vote in the 1991 first round of elections that were later annulled by the military-backed government, leading to civil strife that has cost 30,000 lives. Today, however, they have limited influence over Algerians' lives.

The reality on the ground, according to western observers, is that both the embattled government, which controls Algiers during the day, and the Islamist extremists, who rule vinced they can bring down the other. In any case, the government has "totally and in detail" rejected the Rome initiative - which calls for the return of the FIS to public life and for moves towards a coalition government in prepara- are hoping for is western lever-

Algeria's political quagmire

- Jan 11-14, 1992: Elections FIS expected to win are cancelled, President Checki Benjadid resigns, Mohemmed Boudal becomes head of council of sta
- Feb 9, 1992: Government imposes state of emergency
- III Jun 29, 1992: President Boudlet is assessmeted Jul 15, 1992: FIS leaders Abassi Madani and Ali Benhadi sentenced
- to 12 years in prison
- Jan 30, 1994: Gen Liamine Zeroual becomes president
- # Aug 29-Sep 5, 1994: Government begins contacts with FIS
- E Sep 13, 1994: Government releases FIS leaders Madeni and Benhad] and places them under house arrest
- Sep 20, 1994: Government and opposition talks boycottad by FIS. ■ Oct 29-31, 1994: President Zerouel admits political dialogue with FIS
- has failed. Announces presidential elections by the end of 1995 M Nov 1, 1994: Beginning of stepped up military campaign to crush
- . III Nov 21-22, 1994: Opposition parties, including the FIS, hold first
- Dec 24, 1994; Armed Islamic Group hijacks Air France plane. ■ Jan 9-13, 1995: opposition parties hold second round of talks in Flome, issue peace plan

tion for new elections describing it as foreign meddling in Algerian affairs, a "hotchpotch mixture of ideas" and a "non-event".

Few Algerian experts, meanwhile, give credence to a letter distributed in Paris this week purporting support for the plan by the Armed Islamic Group. "For the moment the army still controls the political Molsi, deputy director of the French Institute for International Relations. "If the army doesn't feet the need to compromise, then what happened in Rome will be just talk." What the opposition parties

age to force the hand of the Algerian government. Western policy toward Algeria has been largely dictated by French pressures and the assumption that economic under-development resulting from decades of socialist mismanagement helped fuel the FIS's support. Thus western governments last year backed a \$1bn IMF standby credit to ing of the official portion of Algeria's \$26bn debt to the Paris Club of creditor governments. The two measures

saved Algeria from hank-

ruptcy. The IMF is already

working on another three-year

credit facility, which could pro-



Opposition leaders (from left) Hocine Alt Ahmed, Ahmed Ben Bella and Abdenour Ali Yahia in Rome last week

vide \$2bn to \$2.5hn in fresh funds and this is almost certain to be followed by another Paris Cluh rescheduling.

However, the hijacking by Islamic extremists of an Air France Airbus over Christmas. which showed cracks in the Algerian government's strategy of "eradicating" the Islamist militants, and the Rome meetings have caused Europe

towards Algeria.

"Allowing the Airbus to go
to France showed (the government) was incapable of managing the crisis," says Mr Gilles Kepel, director of research at Paris' Centre National de la Recherche Scientifique. "And the fact that a platform for peace was established without the government has led to a loss of credibility

But despite the encouraging

public statements of European officials such as Mr Alain Juppe, the French foreign minister, after the Rome meetings, France is likely to stick to its policy, at least until the spring presidential elections. As for remains that the Rome alternative, which seeks the FIS's return to public life, may well lead to the rise of an Islamic regime on the shores of the Mediterranean, which countries such as the UK remain

determined to avoid.

sell it to? However, halting aid could says Mr Kepel. "It will bring more misery and more immigration and an explosion whose consequences could lead to attempts to destabilise neighbouring regimes as a means of diverting attention from the economic crisis."

The murder trial of former Malawi president Kanman Bands and three others was postponed yesterday after defence law yers failed to appear in court. Dr Banda, his associate Mr John Tembo and two police officers are accused of having murdered four opposition politicians in May 1983. Thousants of people gathered outside the court huilding which was heavily guarded by police with dogs. Render, Blanture

NEWS: WORLD TRADE

Brittan wants WTO rules for investment

By Guy de Jonquières,

Sir Leon Brittan, the EU trade commissioner, is to seek to open negotiations soon in the World Trade Organisation aimed at creating global rules and disciplines for the treatment of cross-border invest-He will launch the proposal

on a visit to Washington later this month. He plans to seek support for it at a ministerial meeting in May of the "Quad" powers - Canada, the EU, Japan and the US - and at the Group of Seven summit in Halifax, Nova Scotia, in June. Sir Leon will argue that a

concerted multilateral effort to devise a comprehensive framework for investment will meet practical business needs and help to maintain the momenafter the Uruguay Round world

Commission officials say the proposal is backed by senior executives of many large European companies, who want stronger rules to safeguard their investments and guarantee fair treatment, particularly in developing countries.

Sir Leon is also understood to view the initiative as a way to deflect pressures from some industrialised countries, such as the US and France, to promote politically contentious issues, such as labour rights and environment policy, to the top of the WTO agenda.

Sir Leon's advisers are confident of winning approval from

tions on the proposal in the WTO. However, progress will depend critically on the attitude of the Clinton administration, which is said to be divided. The US Treasury is understood to be broadly favourable

But Mr Mickey Kantor, the US

trade representative, is said to want to confine negotiations on investment rules to the Organisation for Economic Co-operation and Development. Sir Leon argues that the WTO is a more promising forum, because OECD agreements do not cover developing countries. These account for an increasingly large share of the world's inward direct investment and often have regulations which are unclear or dis-

criminatory Unlike OECD agreements. which are non-binding, com-mitments given in the WTO could be enforced through its disputes settlements mechanisms. These are designed to be more effective than those in the General Agreement on Tar-

iffs and Trade. Sir Leon would like WTO rules which required host countries to operate transparent regulatory regimes and prevented unfair discrimination against foreign investors. They would include guarantees against expropriation of assets and freedom to repatriate profits and to convert between local and foreign currencies.

He also favours measures which would entitle foreign companies to participate in

Drug sales increase despite state spending curbs

Drug sales in the world's 10 biggest markets reached \$100bn between January and October last year, a 5 per cent rise over the the same period in 1993, according to figures published today.
This represented a recovery

from a poor start to 1994. although the growth rates remain below their levels in the 1980s and early 1990s. The recovery suggests that government measures to con-

rol drugs spending within wider efforts to limit spending on health are having only a limited effect. Growth in drug sales is

accelerating in France and Spain and still strong in the US and UK, according to figures from IMS International, the

	N America	Japan"	Germany	France	Rady	UK	Spein II	olius family	Beligtu
Cardiovascular	7,055	2.815	2,689	2,520	1,409	766	660	264	27
Alimentary/metabolism	7.099	3,509	1,964	1,721	1,097	900	545	312	21
Central nervous system	7,370	918	1,195	1,209	604	211	378	168	21
Anti-Infectives	3,957	2,228	737	1,260	756	328	413	90	15
Respiratory	4,484	1,382	1,146	834	386	701	326	199	12
Musculo-skeletal	1,881	1,767	801	465	343	301	182	63	7
Blood agents	1.959	1.502	429	631	361	74	190	62	5
Others	9,481	3,933	2,390	1.790	1.179	875	603	256	23
Total	43,286	18.054	11,151	10,530	a.135	4.556	3.297	1.420	1,33
% Change**	a	2	a	4	-6	8	S	6	.,

specialist market research

Italy is the only large market where drugs sales were below their level in the first 10 months of 1993. The 8 per cent fall to \$6.1bn resulted from radical government reforms in January 1994 when the state amended the way it pays for

medicines In the US, where the Clinton administration's healthcare reform plan has stalled, drug sales were \$40.5bn for the first 10 months, a rise of 8 per cent

Non-hospital market carly "Increase excluding curre on the same period in 1993. By comparison, growth in

> was only 3 per cent, taking sales to \$38.4bn.

> Europe's top eeven countries

In Japan, where price cuts were imposed in April

the 6 per cent rise to \$11.2bn in the first 10 months of 1994 was a recovery from a low base. France has yet to impose drug spending changes and sales rose 4 per cent to \$10.5bn, fas-

> By therapeutic area, central nervous system drugs performed well with sales in the biggest 10 markets showing an 8 per cent rise to \$12.7bn. The 10 markets are in order of size: the US, Japan, Germany,

spends relatively little on health in general and drugs in

particular. The 8 per cent growth in sales took the hill to

\$4.6bm, less than half that of

spending controls in 1993, so

ter growth than in previous

Germany introduced its drug

Germany or France.

France, Italy, the UK, Spain, Canada, the Netherlands and Within Europe, the UK Belgium.

This category includes antidepressants, an area where powerful new products have earned wide publicity. In the US, central nervous system drugs are now the biggest single therapeutic category. The category is the third largest overall behind heart drugs and digestive tract drugs, in spile of very low sales in Japan. Historically, Japan consumes few central nervous system drugs. Sales there rose 5 per cent to just \$918m.

In Europe, sales of heart drugs climbed 23 per cent higher than in the first 10 months of 1993 to reach \$8.7bm.

Roche and Pfizer results and

SECUI

ECO

Caricom reacts warily to Cuban offer of Havana trade office

By Pascal Fletcher in Havana and Canute James in Kingston

The Caribbean Community (Caricom) has reacted cantiously to a proposal from Cuba that it establish a permanent trade office in Havana.

Caricom's reservations over the possible repercussions on its trade relations with the US emerged during a two-day meeting of a Cnba-Caricom joint commission. The body was set up just over a year ago to co-ordinate co-operation between the 18-member group and Cuba, the Caribbean's biggest island

Mr Ricardo Cabrisas, Cuba's foreign trade minister, stated Cuba's interest in signing a government-funded research. | framework trade and invest-

ment agreement with Caricom and said an office in Cuba would be a logical step. Mr Edwin Carrington, Caricom secretary-general, said

such a move would have to be evaluated. He questioned whether the current level of trade between Cuba and Caricom - around \$35m in 1994 justified the opening of a trade office in Havana.

However, the main concern appears to relate to the US. Carlcom's main trading partner, which maintains an economic embargo against Cuba. Mr Carrington said the Cuban proposal could be included in a report to Caricom heads of government who meet in Belize Since the collapse of the Soviet bloc, Havana has made a special effort to nurture relations with its Caribbean neighbours and has diplomatic ties with all Caricom members except two, St Kitts and Nevis, and Dominica. Cuba was also among 24 countries that formed the Association of

Caribbean States last July. Cuba-Caricom trade is hampered by a lack of regular transport links. Trade in 1994 included estimated Cuban exports of between \$7m and \$8m, consisting of cement, steel bars, citrus and tobacco. Cuban imports from Caricom include food and chemical and oil products.

Cuba has also formed construction joint ventures with Jamaica and Guyana and has a a Jamaican group. Caricom has taken further steps towards the creation of a customs union with a scheduled reduction this month of tariffs on imports from third countries.

The common external tariff lowers duty rates on imports which do not compete with goods produced within the community, and sets higher rates on those which are likely to harm domestic industry. Under the tariff, the highest rate of duty on all but some agricultural imports is now 30 per cent, with some imports

attracting no duty. Rates differ where the imports are raw materials or finished products, with agricultural products given protec-

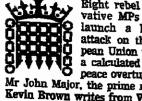


tion. Imports for agriculture are subject to very low tariffs. Before the common tariff was implemented, duties ranged from 5 to 70 per cent.

Rates on finished goods and non-competing agricultural products have been cut from 30 to 25 per cent, while competing raw materials and capital

goods will attract 15 per cent instead of 20 per cent. Raw material imports which do not compete with Carteon producers will be duty-free, while similar capital goods will pay 5 per cent. Some agricultural imports will attract a 40 per cent duty to protect Caricon

Conservative rebels snub premier with attack on EU



manifesto, is a serious blow to Mr

ment" by one rebel MP - advocates a tougher approach to the EU in the run-up to the intargovernmental conference in 1996, including greater use of the UK veto and rejection of

Rebel MPs denied that the decision

a signal of defiance from the group, most of whom were suspended from the parliamentary Conservative party after defying the government in a vote on EU finance in Novemher. Sir Teddy Taylor, MP for Southend East, said the paper provided a basis for Tory unity on Europe. "There are real problems that cannot be avoided," he said.

"We are presenting ideas about the way they can be solved."

In a further sign of the rebels'

Mr Major held out an olive branch

As part of its commitment to the EU's Common Fisheries Policy the UK government must cut fishing capacity hy 19 per cent hy next year, Deborah Hargreaves writes, it estimates that capacity has been cut by only 4.8 per cent so far.

The government bad aimed to meet its ohligations with a two-

missioning and a move to restrict the number of days fishermen could spend at sea. A legal challenge by fishermen forced the government to abandon its days-at-sea policy early

The government says 135 boats left the industry in the first year of the scheme (1993-1994) from a total fleet of more than 11,000. The government is looking at other ways of reducing fishing effort, such as technical conservation measures and cutting the number of fishing licences available.

MPs' code of conduct

Top Tory

calls for

By James Blitz

A prominent Conservative politician yesterday called on parliament to draft a code of conduct governing the relation-sbip between MPs and commercial lobbying agencies following recent controversy over the role played by lobbyists in British politics.

Dame Angela Rumbold, a vice-chairman of the Conservative party, told the Nolan committee, which is investigating standards of conduct in public life, that it was acceptable for an MP to be employed by a lobbying agency in a consulta-tive role, offering advice on strategy and presentation.

But Dame Angela - who recently resigned as director of a prominent lobby company said MPs should be forbidden from approaching ministers and fellow parliamentarians on behalf of a lobby agency.

Asked by the committee bolding its second day of bearings in London - whether parliament could establish a code of practice to that effect, Dame Angela said: "I think it would be perfectly possible to do that."

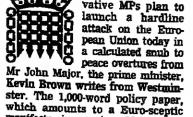
The activity of lobby companies at Westminster is being investigated by Lord Nolan and his colleagues following allegations about their involvement in "cash-for-questions" scandals last year. One of the lobby groups involved has

fiercely denied the allegations, Yesterday, Dame Angela defended her role as a director of Decision Makers, a company that successfully lobbied for Ebbsfleet in Kent as the site of a new international station for

son, chairman of the company. She stressed it had been part of her "personal code" never to "advocate" on behalf of any cli-ent at Westminster, claiming that this was "something I would not have cared to bave

She also said she did not

Eight rebel Conservative MPs plan to paper - dubbed a "mission state- to publish the paper was intended as isterial fears that the rebels are gesting that they could return to the



Major'a hopes of an early rapproche-

ment with the rebels. The policy

monetary union.

It stops short of advocating UK withdrawal from the Union, hut demands renegotiation of the common fisheries policy in order to restore British sovereignty over coastal waters.

However, the paper will fuel min-

determined to extract concessions from the prime minister on Europe before agreeing to rejoin the parliamentary party.

determination not to weaken, it also emerged that informal inquiries had been made to determine whether the group qualified for taxpayer-funded assistance with office and research

to the group earlier this week, sug-

parliamentary party within weeks if they demonstrated loyalty to the government.

pronged approach to include decom-

last year.

UK NEWS DIGEST

Airline in talks on cross-Channel rail agreement

British Midland, the London-based airline is in preliminary discussions with Eurostar, the cross-Channel rail operator, about the possibility of making tickets transferabla between their two services. British Midland said yesterday it was interested in an agreement with Eurostar which could allow its customers to fly from London to Paris or Brussels and then use their return air ticket to make the journey back by rail. Eurostar confirmed early discussions had taken place but said these had not gone into the detail of how ticket transfer might take place.

Eurostar said it was talking to several airlines about arrangements under which they would carry each other's passengers if either of the services suffered operating difficul-ties. British Airways confirmed it was discussing such an arrangement with Eurostar. Eurostar said, however, that British Midland's proposals appeared to go further. Michael Skapinker, Aerospace Correspondent

BA may appeal over Virgin British Airways said yesterday that it is likely to seek leave to appeal against a decision by a US court that Virgin Atlantic can proceed with an action against BA over the "dirty tricks" Judge Miriam Goldman Cedarbaum ruled earlier this month

that Virgin could proceed with a \$1bn anti-trust lawsuit against BA in the US courts. The judge allowed three of Virgin's eight claims to stand, dismissing the remaining five. BA said it intended to ask the judge for leave to appeal against her ruling. Virgin, which has rejected the possibility of an out of court settlement, criticised BA's move. Michael Skapinker

Software group in £40m deal

Computervision, the US software group, and Warwick Manufacturing Group - part of Warwick University in the English Midlands - have signed a \$40m contract to develop and sell enhanced technology to manufacturing companies. Warwick said the agreement was the biggest reached by a British

university and an industrial company.

The US group, which has a subsidiary in Coventry, will provide software which Warwick Manufacturing will adapt and apply to the manufacturing process of particular compa-nies. Warwick Manufacturing will also provide training for employees of companies buying Computervision software. Warwick Manufacturing will receive \$40m over four years split three ways in roughly equal proportions: training, project management on a company-by-company basis and long-term development of Computervision's software. Paul Cheeseright, Midlands Correspondent

Rover increases European sales Rover Group, the leading UK carmaker, increased its sales of

Rover and Land Rover vehicles in continental Europe by 16 per cent last year to 160,387 and achieved record sales in France, Italy and Spain. The group, a subsidiary of BMW of Germany, increased its sales in France, its second largest

market after the UK, by 13.4 per cent to 52,132.

Its sales in Italy rose by 28 per cent to 34,324 in a market that declined overall by 2.7 per cent, while sales in Spain increased by 25 per cent to 27,424. Rover remains very weak in Germany, but it is investing heavily to improve its sales and distribution network, and sales in Germany rose by 5.8 per cent to 11,465 in an overall market that was virtually unchanged. Kevin Done, Motor Industry Correspondent

LABOUR FORCE SHRINKS In spite of rapidly falling unemployment the Department of Employment's latest Labour Force Survey shows a decline in the size of the British labour force. The survey, covering September to November, found that the number of people in work or seeking a job fell 51,000 to 27.7m in the 12 months to last autumn. The Trades Union Congress estimated its affiliated membership fall last year by 6 per cent. from 7.2m to 6.8m, against a postwar peak of 12m in 1979.

ling curb

MORE WOMEN ACCOUNTANTS More women are entering the accountancy profession but few make it to senior positions, according to a survey published yesterday by Britain's Char-

tered Institute of Management Accountants.

The survey, based on a sample of 400 organisations, concindes that 36 per cent of students in the six professional bodies are women, and that "any barriers to women entering the profession have been largely overcome".

Battle-scarred district fights for business

A history of savage violence in west Belfast is not deterring US and Asian investors, says John Murray Brown

Attracting investment to unhappy investment history. It Northern Ireland is tough, hut was here, on the site now occuluring it to west Belfast is much tougher.

When BCO, a small USowned electronics factory in the largely Irish nationalist Andersonstown area tried to win a long-term contract from National Semiconductor, the US computer giant insisted that it would also have to establish a plant in the US. It could not rely on just one supplier in a location riven by political violence.

BCO's future was secured only by the intervention of two politicians who are normally opponents. Dr Joe Hendron, the Social Democratic and Labour party MP, and Mr Cecil Walker, a unionist councillor who supports a continuing con-stitutional link with Britain, flew to California to persuade National Semiconductor of the area's merits.

Investors already have to weigh up incentives, infrastructure, market access and labour conditions as well as political stability. As BCO's experience shows, they also have to be convinced that west Belfast is a place they can do business from.

One attraction for BCO was the generous grants offered by the Industrial Development Board, the government agency handling investment policy. which can provide up to 70 per cent of start-up costs.

Critics complain that the board's policy discriminates in favour of Protestant areas such as east Belfast. But as one government official put it, many potential investors are simply scared off by the graffiti on the walls and - until last weekend - the sight of soldiers on the

streets.

was here, on the site now occupied by Montupet, a French car parts maker, that the ill-fated De Lorean sports car plant was established with government grants in 1978.

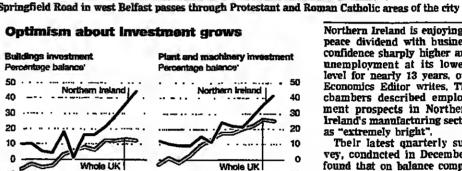
It is a common complaint that government grant policy has been too risk-oriented. But as Mr Paul Goreski of the Northern Ireland Economic Council expressed it: "If it's low risk then the private sector should do it."

West Belfast was once the centre of a thriving textile industry. Mackie's, the Falls Road textile engineering company which recently came to the market, was the second biggest private company in the UK, employing 7,000 people. Courtaulds, Imperial Chemical Industries and Goodyear had plants in west Belfast.

Today the area has a population alienated from the government, and it has pockets of unemployment unmatched anywhere in the UK. In some areas as much as 30 per cent of the potential workforce is out of work, of whom 70 per cent are long-term unemployed. Yet investors are likely to be

attracted by the hig pool of educated labour. When BCO came to recruit it had no trouble finding six graduates with first class degrees. The company, which has linked with the research department at Belfast's Queen's University, is still at the laboratory stage. But with orders coming in Mr Scott Blackstone, one of the three founders, helieves it could soon be employing sev-

The government has a dual policy for areas such as west Belfast, focusing on social need and trying to attract private



Northern Ireland secretary. investment in production lines. unveiling the latest public expenditure settlement for the province, said additional funds were being allocated to Making Belfast Work, an initiative set glass area. up in 1988 to belp the most

disadvantaged areas. A new confidence is slowly taking root. During the investment conference organised last month by Mr John Major, the Britisb prime minister, Fujitsu, the Japanese electronics company, announced that it was creating 100 jobs at Springvale Park, west Belfast, Ford, which has had a presence in the city's west end since the 1960s,

Source: British Chambers of Commerce

Percentage of companies expecting an excess mass those reporting a decrease

CIS Technologies of Taiwan, a computer disk manufacturer, is close to finalising agreement on an investment in the Pole-

Even Sinn Fein, the political wing of the Irish Republican Army, is starting to develop an economic programme, concerned not to be left out as investment interest in the province revives in Asia and north America.

A local industrialist said: "They [Sinn Féin] see that the government channels funds through the Social Democratic and Labour party and that Joe

peace dividend with business confidence sharply higher and unemployment at its lowest level for nearly 13 years, our Economics Editor writes. The chambers described employment prospects in Northern ireland's manufacturing sector as "extremely bright".

other part of the UK.

Yesterday's official labour market statistics showed that unemployment in Ulster fell by a seasonally adjusted 1,500 in December to 92,200 and was almost 8,000 lower than in December 1993.

Although the region's onemployment rate of 12.4 per cent was the highest in the UK. Baroness Denton, the Northern Ireland economy minister. said its unemployment was "now at its lowest level since February 1982".

Northern Ireland is enjoying a

Their latest quarterly survey, conducted in December, found that on balance companies in Northern Ireland bad revised their investment plans npwards more than in any

The survey found, bowever.

that the region's employers are suffering the worst skill shortages in the UK, with 98 per cent of mannfacturers indicating difficulties in secur-

the Channel tunnel rail link. In her evidence to the committee, she revealed that she had been paid between £3,000 and £12,000 a year by Decision Makers to offer general strategic advice on parliamentary matters to Mrs Maureen Tomi-

help any of Decision Makers' clients to Identify or meet ministers who might help their husiness projects - but admit-ted that other MPs might not

Company may face boycott | Cost of retail crime up 27%

By Andrew Taylor

A campaign to persuade sub-contractors to boycott the Alfred McAlpine construction group over a payments dispute has been registered with the Office of Fair Trading under tha Restrictive Practices Act.

The Confederation of Construction Specialists has recommended that "sub-contractors and suppliers should consider declining to enter into any future or proposed contract with any Alfred McAlpine group company unless they receive clear written specific assurances regarding the group's policies and practices in respect of payment". The trade association

has been in dispute with McAlpine over payment prob-lems alleged to have been suffered by snb-contractors working on a Center Parcs development in western England where McAlpine was

the main contractor. The association has recommended that customers of Alfred McAlpine "should seek meguivocal clarification of the group's contractual and payment policies and practices towards subcontractors and suppliers." It said it was required by law to register its recommendations with the OFT. The OFT said yesterday the recommendations had been registered with the Restrictive Practices Court and it did not

propose any further action at

this point.

McAlpine denies the allegations and has reserved the right to take legal action if they are repeated. Mr Garry Forster, company secretary, sald: "Allegations that McAlpine has used commercial muscle to abuse sub-contractors and declined to pay proper debts are utterly rejected." The Center Parcs leisure development is expected to result in claims for extra payments by

subcontractors and McAlpine. The dispute has arisen when government and the construction industry are studying proposals in an independent review to improve the industry's trading relationships.

UK retailers faced a bill of £2.7bn (\$4.2bn) for crime and crime prevention last year, an increase of 27 per cent - £550m - over the previous year, according to the British Retail Consortium, the industry body. The consortium's report

account for almost half the UK's £67bn retail sales. It found that retailers lost a total of £2.15bn during the year through crimes such as shop

covers the past financial year

and 53,000 stores, which

theft and burglary. Retailers stepped up investment in crime crime prevention measures including biring security staff and

installing closed-circuit and staff. Retailers claimed to television systems. Spending have witnessed 4.8m incidents on crime prevention rose to £581m during the year from £419m in the previous year. This increased investment

reduced the occurrence of some forms of retail crime, notably criminal damage and attacks on staff. The consortium also detected a fall in the cost of burglary and robbery.

In spite of this investment there was still a significant increase in the incidence and cost of retail crime last year. This is partly attributable to more efficient crime detection and reporting by retailers. The costliest types of retail have witnessed 4.8m incidents of customer theft last year, a 256 per cent increase on the previous year.
The Retail Consortium

warned that shoplifters were becoming more professional, often operating in organised gangs. However only 807,357 customers were actually apprehended for suspected theft, of wbom 548,323 were referred to the police. Only 17,344 of the 37,468 employees apprehended for suspected theft were reported to the

There were 161,139 burglaries in the retail sector last year -53 incidents for every 100

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Exports lead recovery as domestic growth levels off

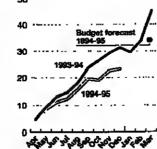
By Peter Norman, Economics Editor

Exports continue to lead Britain's economic upswing while growth in the domestic market appears to be levelling off, the British Chambers of Commerce report today.

The chambers' latest quarterly survey of business opinion found a significant improvement in UK export activity, with orders growing at their fastest rate since the survey began in 1985.

At bome, manufacturers sales and orders rose gently. The balance of manufacturers reporting higher sales in the UK market over those reporting a decline rose to a six-year high of plus 36 per cent in December from 35 per cent three months previously. The chambers expect sales growth to continue in the current quarter following a rise in the balance of home orders from plus 32 per cent in September to December's plus 35 per cent, the highest figure since 1987. Activity in the service sector appears to have reached a

peak, however. The survey of 8,067 companies was carried out between December 2 and December 23. It is the biggest survey of UK



borrowing requirement business opinion. Mr Richard Brown, the chambers' deputy director-general, said: "The immediate outlook for the UK economy is positive with growth of exports almost certain to continue."

Change in the public sector

AVERAGE EARNINGS STABLE: The annual growth rate of workers' average earnings is remaining stable in spite of evidence of s rise in pay settlements, the Department of Employment said yesterday. Average earnings grew hy an

underlying 3.75 per cent in the

year to November, the same

rate as in each of the preceding

five months. The department backtracked on its original estimate that earnings growth had accelerated to 4 per cent in the year to October because bonus payments were lower than expected.

Mr Michael Portillo, secre-

tary of state for employment,

said earnings growth might

have remained stable as settle-

ments picked up because honuses were being consolidated into basic pay. The Confederation of British Industry believes pay settlements in manufacturing have increased to about 3.4 per cent in the three months to Novem-

ber from 2.2 per cent a year

earlier. RETAIL PRICES EDGE UPWARDS: One of the first hints that retailers may be trying to edge discounting emerged yesterday, after official figures showed that inflation had risen in December. A significant part of the price rises was concentrated in food and household

The Central Statistical Office said yesterday that the allitems retail price index rose to 146 in December - 0.5 per cent higher than in November and 2.9 per cent higher than in the

and personal goods.

crime were theft by customers

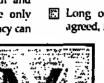
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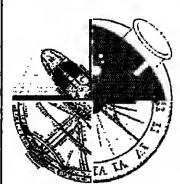
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Plastics breakthrough

British Petroleum reports a breakthrough in the production of polyethylene, the world's most commonly used plastic, reports

Robert Corzine. BP says its research institutes in France and the UK have developed a new "high productivity gas phase" echnology that has been demonstrated in commercial conditions and that can be retrofitted to existing gas phase polyethylene reactors.

The new process allows for a 100 per cent increase in output from a single polyethylene reactor, or a 50 per cent decrease

RP says the key to the new process is its ability to remove leat efficiently from the reactors. The problem of heat removal is one of the main factors limiting the output of the current generation of polyethylene

BP Chemicals: UK, fax 0171 496

Computers take to networking

Toshiba Corporation, the Japanese computer group, has devised a method of increasing the flexibility of computers which

are linked in networks. The Wireless Desk Area Network allows portable computers to form wireless communication networks free of fixed facilities, such as a system server. The equipment consists of dedicated communications software, together with either a wireless Lan card or an infra-red

transceiver. It automatically identifies terminals with which it can communicate, up to a distance of 100m. Users can select the

Toshiba believes the technology

will allow "paperless" meetings, in which information can be distributed via the network.

Toshiba: Japan, tel 033457 2105; fax 033456 4776. Shadow over uicer

rather than on paper.

drugs' future

The prospects for ulcer drugs took another blow this week with the publication in the New England Journal of Medicine of further evidence that antibiotics are as effective in the treatment of nicers, writes Daniel Green.

This emerged in a study of 85 patients which showed there was no significant difference between those who were given antibiotics and those who took Losec, an advanced ulcer drug made by Sweden's Astra. The antibiotics kill bacteria called H Pylori, which infect about 70 per cent of patients with gastric ulcers.

Although the principle has been supported by the work, it does not yet spell the end of some of the world's biggest-selling drugs. Medical authorities fear that

wider use of such powerful antihiotics will lead to resistant strains of more dangerous bacteria. And the research excluded patients whose ulcers had arisen from their use of non-steroidal anti-inflammatory drugs, used in arthritis and an

important cause of ulcers.

Joseph Sung, Prince of Wales
Hospital, Shatin, Hong Kong, Tel: 26 36 22 11

£5m research fund for UK opportunities

The Centre for Exploitation of Science and Technology, an independent organisation that promotes links between industry, government and academia, has set up a fund for research into market and technology

opportunities for UK business. The research fund, which is expected to pay for about £5m of research over the next five years, will be based on subscriptions and donations from Cest members, comprising 35 companies in the public and private sector.

Its first project is to identify the commercial opportunities in the National Technology Foresight project and to show companies how they can apply Foresight's findings to their own strategies. Cest: UK, tel 0171 351 9942; fax

Alice Stewart's work has changed US clinical practice. So why has she been shunned in her native Britain? Clive Cookson explains

Unsung heroine

heroines of British medical research. She has helped to alert the world to the dangers of low-level radiation. yet she remains unrecognised by the UK scientific establishment.

At the age of 88 she still works full time as a senior research fellow at Birmingham University, occupying a prime office suite in the medical school's main huilding. But her accommodation is less a tribute to her status

than to the American funds she brings in. Stewart moved to Birmingham after "retiring" from Oxford University 20 years ago. Her 70s, a lean period for research funding, were spent working from a Portakahin outside the medical school. During her 80s she has won \$2m (£1.2m) worth of grants from the Three Mile Island Public Health Fund - hence the upgraded office space.

"I admire her courage, honesty and persis-tence," says Eva Alberman, former professor of epidemiology at the London Hospital and now consultant to the UK Office of Population, Censuses and Surveys. "She has made some fundamental discoveries and her wariness about the health effects of ionising radiation has been very influential."

Although Stewart has been based in the UK throughout her career she is far better known in the US. Her battles over the past 20 years with the US government and nuclear industry, over the health records of atomic workers, have brought much coverage in the American media and a reputation, in the words of the New York Times, "as perhaps the Energy Department's most influential and feared scientific critic".

Her fight for access to the records of 30,000 workers at Hanford nuclear reprocessing plant in Washington state, the world's best statistics on occupational radiation exposure, ended in victory in 1990. Stewart and her long-term research partner, the statistician George Kneale, are still analysing the Hanford records for further information about the effects of prolonged exposure to low-level radiation. They are also re-working radiological data for survivors of the Hiroshima and Nagasaki atomic bombs, which provide the main basis for official radiation dose limits.

Stewart and Kneale say this latest work confirms their preliminary conclusion in 1976 that the official international guidelines substantially underestimate the risks of developing cancer through low doses of radiation.

Stewart has never attained high academic rank and never run a large research group.

lice Stewart is one of the unsung At Oxford she was reader in social medicine from 1955 to 1974 but missed out on the professorship which many felt she deserved.

"I'm afraid she was frozen out. That's the way people deal with their opponents," says a senior Oxford scientist who is familiar with

Sometimes people treat us like Stalin did Trotsky, removing us from the records," Stewart complains.

She contrasts herself with Sir Richard Doll, now honorary consultant at the Imperial Can-cer Research Fund's Oxford unit, who has been Britain's most powerful cancer epidemiologist for decades. "He was on a Medical Research Council committee that turned me down for funding in the 1950s," Stewart says. "There's an old-standing rivalry there."

Although Stewart's outsider status may have preserved her scientific independence, she admits that it sometimes hurts, too. "I feel rather sad that I have not had the opportunity to train any medical successors; l should like to have left a slight imprint on the doctors."

Stewart is especially npset when researchers fail to mention or credit the pioneering Oxford Survey of Childhood Cancers which she ran from 1953 to 1979, a register of 22,400 childhood cancer deaths from the whole UK -

the largest such database in the world. When the UK Co-ordinating Committee for Cancer Research, representing all the main cancer research funding bodies, launched a "unique national survey of children's cancer in 1992 with Sir Richard as chairman, there was no mention of the fact that it was a follow-up to the Oxford Survey. And Stewart and her work were ignored again last year when three of Britain's best-known radiation specialists published a wide-ranging review of childhood cancer and nuclear installations.

The most important ronclusion from the Oxford Survey came in 1956, when Stewart showed that prenatal X-rays were causing childhood leukaemia. It was the first evidence of low-level radiation harming human health - and quickly changed clinical practice.

Yet the 1950s were a period of optimism about both the nuclear industry and medical technology. "The suggestion that a small diagnostic foetal exposure to X-rays could lead to childhood cancer was a shocking one that initially many people did not want to believe," says Christine Cassel, professor of medicine at the University of Chicago.

"Now this concept is universally accepted and precantions based on It are routine. This



Alice Stewart: 1 do side with the antis but I don't agree with their hysterical responing

was the first of many times that Alice Stewart was to be the bearer of news that people did not want to hear but which had enormous implications for health and survival."

However, unlike Stewart's findings on the effect of prenatal X-rays, her analysis of nuclear workers is far from universally accepted, as Sir Richard, 83, makes clear. T have a great admiration for her work on the foetus but I think she has gone off the rails in

her more recent radiation work," he says.
"Her methodology is not scientifically valid." Stewart believes that her strong identification with anti-nuclear campaigners has prevented her findings getting through to the scientific establishment. "I do side with the antis but I don't agree with their hysterical reasoning," she says. "If the nuclear employers listened to what we are saying and played fair with their people, they would have to pay

some compensation but it would not be a very large amount."

An important factor which has emerged from Stewart and Kneale's analysis of both nuclear workers and A-bomb survivors is that, above the age of 30, sensitivity to radiation damage increases very rapidly indeed with age. Workers in their 50s are more likely to develop cancer after exposure to a given radiation dose than those in their 20s, even allowing for a typical latency period of two decades. In other words, Stewart says, most cancers due to occupational exposure to radiation will appear among people in their 70s

"in the end the story will come out," she says confidently, "and it's going to revolu-tionise our ideas about what is really happening with radiation. Then the industry will be able to breath a sigh of relief."



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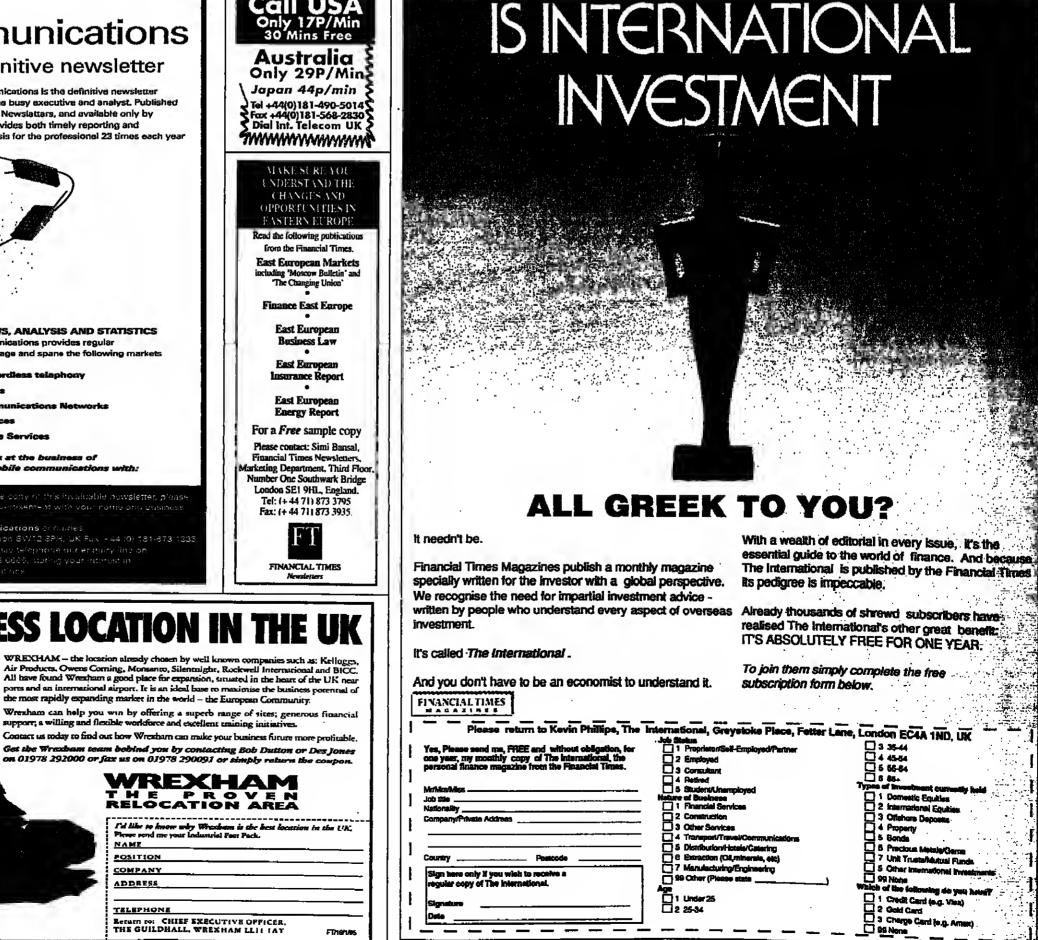
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Cinema/Nigel Andrews

Blood-letting liaisons

INTERVIEW WITH THE VAMPIRE (18) Neil Jordan

WELCOME II THE TERRORDROME (18) Ngozi Onwurah

ROUGH DIAMONDS (PG) Donald Crombie

> THE LAST MACHINE **BBC TV**

ike cinema itself, vamplres defy time. Stalking unchanged through the decades, they are rejuve-nated by the blood of passers-by much as movies stay young

by feeding on fresh audiences. In Neil Jordan's sombre, elegiac Interview With The Vampire – set in the American deep south and Europe during the last 200 years the title bloodsucker (Brad Pitt) actually encounters cinema. We catch him, just like Gary Oldman in Coppola's Dracula, resting his appe tite in a movie theatre. Courtesy of celluloid, he is able to watch his first sumrise since he "died".

This is a haunting movie: all about time's crooked arrow and the illimitable longings of mortal and immortal life. Filming novelist Anne Rice's cultish spinechiller about a Louis-iana landowner (Pitt) baptised into blood-drinking by a young/old men-tor (Tom Cruise as Rice's serial ogre Lestat), the director of Angel and The Crying Game makes a film that never seems a catchpenny comedown from his earlier work.

Probably Jordan was never going going to give us "Bloodbath In The Bayous" anyway. But the mood here is strange, restrained; stricken with a lyrical melancholy. Faces are lit with a half-light more regretful than high-Gothic. The film's heraldic colour is ashy-grey with hints of subagneous green.

Though this is a "modern" vampire story, time-shock gimmickry is confined to the use of Rice's titular framing device. We meet Pitt patiently spilling his life to a young reporter (Christian Slater). who seems nervous that his own life may

be about to be spilled. From there we flashback to the main story: the friendship tinged with eroticism between handsome Pitt and handsomer Cruise.

Jordan, though, treats even this liaison without sansatinnalism. Though the couple fly straight up into the air at their first himgry embrace, male bonding soon yields to a menage à trois with a vampir-ised orphan girl. (This after a sequence of gourmet wrist-andthroat-slitting involving two more mature lady friends: the only moment in the movie when you might send Aunt Edna out for pop-

Finally, the three end up in Paris, where a Grand Guignol theatre har-bours more blood and death; plus Antonio Banderas and Stephen Rea as actors who in all senses get their

teeth into the roles.

Kinky? Perhaps. Nasty? Never. The atrocities are depicted obliquely, suavely, almost sadly. Who are we, besides, to question the ways of the undead? We know only that they can transform Hollywood stars whose range wa thought finite. Tom Cruise is a revelation. Hollywood's strutting college kid is transformed by a hlond wig, insinuating sibilants and a mid-Atlantic accent kissed with Irishry. Demonism with a blinding smile and

cultured purr, Cruise is the Ivy Leagua's answer to Bela Lugosi. Brad Pitt's Louis pales beside him: but then that is his character's sole function anyway. The few scenes left unstolen by Cruise are burgled by Kirsten Dunst, who brings relish to her precocious vampiress. A blonde-curled moppet with a love of blood, she is the most chilling mascot of all in this movie's tale of those who, like movies themselves, make the brave choice to devour time rather than let it devour them.

Faced with Welcome II The Terrordome - 90 minutes of militant black agitprop masquerading as a vision of the future - how is a white film critic to feel? This one felt like a war reporter asked to describe an approaching Exocet with his own name on it. One is caught between a desire for critical objectivity and an impulse to duck like hell.

But this first feature written and directed by Britain's Ngozi Onwurah is so well made - over three years



Kinky perhaps, but nasty, never: Kirsten Dunst and Tom Cruise in Neil Jordan's 'Interview With The Vampire'

and on a pittance - that we have no refuge in aesthetic dismissal. Only the opening is shakily heraldic: a tableau vivant of African slaves washed onto a New World shore, carrying the grim gleam of future discontent. But soon we are in the exotically sordid ghetto where the plot proper lurks. Shanty-ish squalor; wire palings; brutal gang feuds; rap songs on the soundtrack; draggle-clothed citizens raked by police

All this plus two mix-and-match heroines: a white girl carrying her black lover's baby (until she loses it to a racist white youth's nightmarish attack) and a hlack mother whose son falls to his death during a police purge

The violence is neither penny plain nor tuppence-coloured: more powerful and rainhow-mythic. Onwurah's cameraman, Alwin H. Kuchler, should proceed straight to Hollywood without passing "Go". Though his and the designers' inspirational models may be familiar -Blade Runner, Mad Max and other Grunge Sci-fi classics - Terrordome achieves it all on a shoestring and works its own variation. This a fresco of cheek-hy-jowl lives lent expressiveness less by the actors - who are try-hards rather than natural talents - than by the stunning resourcefulness of the film's lighting and camerawork: its moody filters, skewed angles, expressionist smoke

Jason Donovan in Rough Diamonds is a sight to behold. The baby-faced Aussie looks as if he has fallen straight out of his cradle into his first Serious Miscasting Incident. He plays a brawling, stubble-chinned cattle rancher who pulls sheilas, downs jars and smashes his trucks carelessly into other people's cars. Result he falls for the citified Miss (Angle Milliken), an ex-pop singer,

deployment

who stays for a few days while her car is being repaired.

The film, directed by the once esti-

mable Donald Crombie (Caddie), is egregious twaddle. But I liked Donovan's unfazed charm and confidence. He is playing the wrong role and probably knows it; but he has been un-dauntable ever since moving from TV scaps to technicolor dreamcoats. He is lucky too to work in Australia, where they value their few international stars so much that they do not care about the aptness of the vehicles. Next stop: Kylie Minogue as Lady Macbeth.

Even that is no more mind-boggling than the Idea of Charles Aznavour - "Sheeegh may be ze face you can't forr-get" - donning an arthouse bairshirt for a film of Gunther Grass's The Tin Drum. Volker Schlondorff's ambitious 1979 adaptation, stuffed with conscientious bizarrerie, is back at the Every-man Hampstead. Foreign film fans

now at the Barbican. Viridiana, with its courteous blasphemies and infamously memorable Last Supper, is revived in a new 35-mm print.

Or you can take a deeper time trip, With cinema reaching a bundred this year, the first TV series to hlow a coloured streamer is The Last Machine. We congratulate everyone concerned. Ian Christie wrote the allusive, adventurist script for this BBC2 series about the first years of cinema. And Terry Gilliam bounces around the screen as our Master of Ceremonies, joining up the different hits of coloured historical paper-

Animation, social commentary, quotes from Freud and Lewis Car-roll; Edwardian porn, on-camera sur-gery, rail travel as barhinger of the movie experience . . . All life is here, in the very first art form to conquer time and space; and surely the last, at least while you and I are living.

Ballet

Swan Lake

nd there it is, exposed to the gaze of true helievers on the Snnth Bank, the thigh-bone of St. Improbablus of Petershurg, in all lts antique glory. Passed off to worshippers under the title of Swan Lake, and being cared fur this week by English National Ballet, this relic still attracts thousands of believers. I dn nnt nntice many votive offerings around the stage, or those dusty crutches that are the usual testimony to miraculous cures ("Do ynu know, Doctor, 1 don't need Swan Lake any more!"), but faith and enthusiasm clearly burn bright and the congregation delights in what it sees.

I have been nn less gratified by ENB's offering under better circumstances, but the Royal Festival Hall stage is too shal-lnw for Carl Toms' designs, and the dance is crowded forward. Illusion - except of box-office success - is at a premium, and no amnunt of dry ice swirling around the swans is going tn make the lake-side seem anything other than a

The production, by the illustrious Mnscow hallerina Raissa Struchkova, is a verslon of the staging she knew at the Bolshoi in the 1950s. and is sound enough nn its Soviet-style terms. It really needs that physical passinn a full-throated emotionalism with not a little vihrato - that was the Muscovite manner in the 1950s, allied tn aristocratic training, ENB's dancers make the best they can of things, on their own bright terms, and on Tuesday night I saw the Bra-zilian dencer Cecilia Kerche as Odette/Odile, with Roman Rykin (a young recruit from Ufa, well trained in the Vaganova method) as her Siegfried. Miss Kerche gave a dutiful, somewhat remote reading – as if she were laying flowers on the grave of a not-too-greatlyloved aunt. Mr Rykin has good dance manners, and sure tech-nique. He needs coaching - he is only 21 years old - for his view of the role is, shall we say, basic. (I can see, though, that in La Fille mal gardée which was mounted on him hy Yury Grigorovich - he must be a youthful delights. The curse of the staging, because it is a Soviet version, is the presence of the Jester, a character ever required to be the life and death of the party in Russian

productions. Dn Tuesday the part was taken hy Fahrice Serafino. who should count himself lncky that I (unlike Siegfried) did not have a cross-bow with me. I have rarely seen such relentless vivacity, such frenzied scampering, such demnnic perkiness. By comparison, Woody Woodpecker is a Trap-pist monk. Insufferable in the first act, Mr Serafino managed to ruin the end of the ballroom scene, when Siegfried discovers that he has been deceived, by staging his own little display of shock, horror, and Crummles-ish mumming. He must be Spoken To by the management, or tied down to something leaden - the orchestra's account of the score

Clement Crisp

At the Royal Festival Hail until January 21.



Gemma Jones, Anthony O'Donnell and John Neville Alexant Mutr

Theatre/Sarah Hemming

Strindberg's 'Dance of Death'

the emhattled relationship between Charles and Diana, he must be watching with a wry smile. That bitter struggle would contain no surprises for the Swedish dramatist who saw mutual antagonism as the natural condition of the His bleak view of the male-female

conflict runs through most of his plays, perhaps expressed most clearly in The Father and The Dance of Death, both of which present us with a husband and wife locked in permanent war. But while in The Father a victor emerges, The Dance of Death ends in stalemate, with the couple at loggerheads, apparently

And while Alice and Edgar are flesh and blood and their battles are frequently grimly funny, their condition is also symbolic. They live in isolation on an island, their exasperated servants have left them. and, though they both constantly declare their hatred for one another.

f Strindberg is looking down on they seem unable to separate. "We are welded together," says Alice, at one point. "Only death can part us." One wonders, however, whether the grim reaper could slide hetween these two souls, who both clearly depend on the conflict for their sense of purpose. As the play ends, there is something almost Beckettlike about these two characters, repeating their savage ritual of insults ad infinitum.

For The Almeida's production, Patrick Watkinson's elegant set suggests the play's symbolic qualities in physical form. It has all the trappings of a drawing room, but is mounted on a round wooden platform that emphasises the play's circular motion and is slightly reminiscent of a hull ring. On this arena, John Neville and Gemma Jones begin brilliantly as the warring cou-ple, sitting in their armchairs, relaxed hut watchful, like two prize fighters poised for action. It soon becomes apparent that every sentence is an opportunity for a fight; discussion of their impending silver wedding celebrations only opens the way for a major new offensive. Neville, imperinus and devilish,

and Jones, nervy, commanding and voluptuous, screw every ounce of comedy out of the script - as the play opens she is picking her teeth, while he fiddles infuriatingly with an empty pipe - and they emphasise the sexual tension that sustains their misery. But, like George and Martha in Albee's Who's Afraid of Virginia Wnolf?. Alice and Edgar need an audience for their power struggle. They find one in Kurt. Alice's

cousin. A casual social visit to the fortress soon has him sweating his way through the nightmarish layers of fantasy, lies and insults that make up Alice and Edgar's daily bread. Anthony O'Donnell's small, plump, well-meaning Kurt is excellent, as he perches between them, fidgeting nervously, like some small furry animal poised between two vipers.

So far, so good. Peter Stormare's N.I.

the play's hleak, hlack humour. But as it moves off into more experimental waters and crueller tactics, the production comes unstuck - Alice's affair with Kurt seems incredible. There is a difficulty, too, with the

production deals wanderfully with

dramatic structure of any play that explores stagnation. Strindberg overstates his case, and Stormare's production does not overcome this, neither does it negotiate the difficult mood change from blackly comic to just black, and the cast begins to compensate hy slipping into melodrama. Gemma Jones, in particular, becomes increasingly mannered as the evening wears nn. This is a shame as it lessens the impact of the first half. It does not destroy the evening entirely - it is still required viewing for any couple contemplating marriage - but you depart mildly stirred, rather than truly shaken.

At the Almeida Theatre, London



■ AMSTERDAM

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CONCERTS Het Concertgebouw Tel: (020) 671

 Royal Concertgebouw Orchestra: conducted by Vaterie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 19 Semiramide: by Rossini. Ion Marin conducts the Royal Symphony

Orchestra at 1 pm; Jan 28 The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 28, 27 OPERA/BALLET

Het Muziektheater Tel: (020) 551 L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 19, 22,

BERLIN

24, 26

OPERA/BALLET Deutsche Oper Tel: (030) 341 9249 Bellet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris

Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 19, 27 (7.30 pm) Madama Butterfly: by Puccini.
Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 21 (5 pm), 26 (7.30 pm) Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich at 7 pm; Jan 22 Staatsoper Unter den Linden Tel: (030) 2 00 4762 Die Zauberflöte: by Mozart. Conductor Daniel Barenbolm, production by August Everding at 7 pm; Jan 22

BRUSSELS CONCERTS

Philharmonique de Bruxelles Tel: (02) 507 8434

 Champs-Elyaées Orchestra: with cellist Christophe Coin and conductor Phillipe Herreweghe plays Schumann at 8 pm; Jen 23 Philippe Herreweghe: conducts the Orchestra des Champs-Elysées to play Schumann at 8 pm; Jan 23

■ FRANKFURT

CONCERTS Alte Oper Tel: (069) 1340 400 Philharmonia Orchestra London: with planist Tzimon Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan

■ LONDON

CONCERTS Barbican Tel: (071) 638 8891 Fauré: Requiem: City of London Sinfania conducted by Harry Christophers plays Fauré and

Mozart at 7.30 pm; Jan 20 Pierre Boulez: conducts the London Symphony Orchestra to play Stravinsky, Webern, Bartók and Boulez's own, 'Notations I-IV' at 7.30 pm; Jan 22 (3 pm), 24, 28 Pooular Classics: with tha London Concert Orchestra conducted by David Amold. Highlights include Ravel's 'Bolero'

and Strauss' 'Blue Danube Waltz' at 8 pm; Jan 21 Festival Hall Tal: (071) 928 8800 Royal Philharmonic Orchestra: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24 GALLERIES

Barbican Tel: (071) 638 8891 Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler, from Jan 19 to May 7 British Museum Tel: (071) 636 1555

 Ancient Egypt and Contemporary Art 12 works commissioned by the museum alongside the existing collection of ancient Egyptian relics; National Portrait Tel: (071) 306

0055 The Sitwells: the arts of the 20's and 30's through the eyes of the Sitwells: to Jan 22 Royal Academy Tel: (071) 439 7438

The Painted Page: Italian Renalssance book illustrations from

1450-1550; to Jan 22

pm; Jan 21, 28, 28

Rigoletto: Jonathan Miller's

OPERA/BALLET English National Opera Tel: (071) 632 8300 Figaro's Wedding: in house debut for conductor Derrick Inouya at 6.30

updated version of Vardi's opera where the duka is a maffa boss at 7.30 pm; Jan 23, 27 Festival Hall Tel: (071) 928 8800 Swan Lake: by Tchalkovsky. Tha English National Ballet choreographed by Raissa Struchkova and supported by its Orchestra at 7.30 pm; to Jan 21

(Not Sun) Royal Opera House Tel: (071) 340 Così Fan Tutta: by Mozart. A new production directed by Jonathan

Millar. Conductor Evelino Pidó. In italian with English surtities at 7 pm; Jan 23, 25, 28 Otello: by Verdl. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 20, 24, 28

 Swan Lake: by Tchalkovsky. Choreographed by Marius Petipa and Ley Ivanov, production by Anthony Dowell at 7.30 pm; Jan 19 THEATRE

National, Lyttelton Tel: (071) 928 The Children's Hour: by Lillian Hellman, directed by Howard Davies

at 7.30 pm; Jan 20, 21 (2.15 pm) National, Olivier Tel: (071) 928 2252 The Merry Wives of Windsor, by Shakespeare, Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm) Riverside Studios Tal: (081) 741

· Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment, Jim McManus relives comedian Tony Hancock'a last hours at 8 pm; from Jan

19 to Feb 11 (Not Sun)

■ MADRID CONCERTS

Fundación Juan March Tel: (91) 435 48 40/435 42 40 Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 25

■ NEW YORK GALLERIES

Guggenheim Tel: (212) 423 3652

The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22 Museum of Modern Art Tel: (212) 708 9480 A Century of Artists' Books:

Exhibition of 140 books from some of this century's foremost artists; to Jan 24 OPERA/BALLET

Metropolitan Tel: (212) 362 6000 Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 21 ■ L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 21 (1.30 pm), 24, 28 Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levina at 8 pm; Jan 20, 25, 28 (1.30 pm) Simon Boccanegra: by Verdi. A new production directed by Giancario del Monaco, James Levine conducts the opening night cast of

23. 26 Turandot by Puccini. Produced

Cheryl Studer, Placido Domingo and

Vladimir Chemov at 8 pm; Jan 19,

by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27

PARIS CONCERTS

Jan 20

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 National Orchestra of Franca: with violinist Sarah Chang and conductor Charles Dutoit plays

Ravel, Lalo and Stravinsky at 8 pm; Jan 19, 24 Soirée Beethoven: part of the 'Prades aux Champs Elysées' series featuring oboists J. Louis Capezzali and Christian Schmitt at 8.30 pm;

 Soirée Mozart: part of the 'Prades aux Champs Elysées' featuring violinist Raphael Oleg at 8.30 pm; Jan 21

■ WASHINGTON

CONCERTS Kennedy Center Tel: (202) 467 4600

 National Chamber Orchestra; 10th anniversary gala concert with the Washington Bach Consort. Plotr Gajewski conducts at 8.30 pm; Jan

 Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20, 21 OPERA/BALLET Washington Opera Tel: (202) 416

7800 Tha Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19, 21, 25 Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 20,

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28



not something to which central bankers naturally assbould they.

REVIEW since their chief task, the maintenance of price stability, requires them to apply deflationary remedies just when an economy is showing momentum. In the memorable quip of the US Federal Reserve's longest serving chairman, William McChesney Martin, they are required "to take away the punch bowl just when the

party is getting going". Yet as Paul Volcker, one of Martin's most revered successors, remarks in his foreword to this new book on the subject, central banking is at a pinnacle of influence and respect. Authors Marjorie Deane and Robert Pringle, both seasoned observers of central hank behaviour, refer to it as a "cult". What has brought about this enhancement of the central bankers' reputation? And why are so many central banks being granted a greater degree of independence from

The nadir was in the 1930s, when central bankers were hlamed for the Depression. Politicians thereafter laid claim to a greater role in monetary management to prevent unemployment. The turn of the tide came in 1971-73, when the Bretton Woods fixed exchange rate system broke down largely because of the US reluctance to pay for the Vietnam war with higher taxation.

As inflation accelerated and the supposed long-term tradeoff between inflation and employment ceased to hold, the theoretical underpinning of Keynesian demand manage-ment came under attack. By the end of the 1970s, the chief objective of monetary policy was again perceived to be the achievement of price stability: and while technical arguments shout the means to that end have since waxed and waned. the consensus among central bankers, if not among academic economists, is that monetary policy influences inflation rather than real output. In the aftermath of so much inflationary excess, Keynes's high-minded view of interven-

tionist politicians and civil ser-

THE CENTRAL BANKS By Marjorie Deane and Robert Pringle 369 pages

vants as rational, disinterested Platonic guardians looked anachronistic. In the 1970s, economists identified a political business cycle and called for constitutional constraints on politicians who acted as rational maximisers of their own personal utility - of votes, word. In addition, ageing populations in the developed world were ready for policy that favoured the interests of creditors with net financial ets over debtors. Even leftwing politicians came to see advantage in central bank independence as a means of overcoming electoral suspicion about their intentions.

The paradox of the central bankers' new found status, as Deane and Pringle rightly diagnose, is that it comes just as their power is declining in important respects. The liberalisation of financial markets deprives them of many history ments of control. With free global capital flows, any form of exchange rate manag short of full-blown monetary union no longer works, as Mexicans and Europeans know to their cost.

Nor does central banking independence provide insulation against these tidal flows of capital - witness the plight of the Bank of Spain last week in face of a currency and bond market squall. Indeed, indepen-dence looks suspiciously like a nostrum whose time has come too late. The political business cycle has latterly been about fiscal excess, rather than preelectoral monetary laxity. And it is long-term interest rates set in the markets, rather than short rates set by central bankers, that now impose the more potent discipline on weak.

over-indebted governments. The second key objective of central bankers is the stability of the banking system. Here their lender of last resort function, together with the use of deposit insurance, is arguably self-defeating because of moral hazard. Depositors exercise little discipline over imprudent bank management because

they know that their return is safe regardless of the risk run by the bank. Meantime, insured daposits increasingly go to finance banks' own trading in esoteric derivative instruments which central bank supervisors find hard to

understand and monitor. The potential costs to the taxpayer of this safety net, say the authors, may have grown to an incalculable extent. Their preferred remedies are the restriction of deposit insurance to less than 100 per cent, more bank bankruptcies and tougher sentences for bank fraudsters. They sympathise, too, with proponents of a two-tier banking system in which insurance is offered only for deposits invested in low-risk assets. Yet in practice few central

banks find it easy to retreat from the "too-big-to-fail" doc-trine. If Don Brash of the New Zealand central bank advocates a minimalist role, he does so in the knowledge that most of his big banks are foreignowned and thus someone else's headache. And if, in practice, the threat posed by a financial crisis is usually less one of disruption to the payments sys-tem than of credit withdrawal and debt deflation, central banks might still feel obliged to act as lenders of last resort to the high-risk stratum of a two-tier banking system. That is certainly the view of Professor Charles Goodhart of the

London School of Economics

Financial Markets Group, for-merly of the Bank of England. Deane and Pringle offer a comprehensive review of the arguments and leading institutions. If there are no great inside revelations about the International and domestic monetary battles of the recent past, the book is not without nuggets for connoisseurs of this slightly recherché genre. One such comes from the former central bank governor of the Solomon Islands, who presided over a money supply stasbed away largely in milk tins in villages. "The giving of advice to government," he remarked, "can be personally hazardous, a bit like bringing the news of military reverses

to the later Roman emperors."

Now there's real central bank-

John Plender ingful as well as a good deal easier to follow.

"I am glad to tell the House that this approach has allowed us to make overall savings even greater than those achieved last year...Not 10, not 15, not 20 but another £24bn of the Control Total over the next three years on top of last year's reductions... That is a reduction over the four years covered by

One US senator to another: "A billion here, a billion there and soon you ore talking of real

my two Budgets of £43bn."

he UK Budgets of 1993 and 1994 aimed to reduce public sector borrowing to well below the Maastricht treaty limit of 3 per cent of gross domestic product over the next couple of years and - more speculatively - to turn it into a surplus by the end of the decade. To do so the government has imposed a series of staggered tax increases. These are officially expected to raise the tax-take to a higher proportion of GDP than anything seen since 1981. Any so-called tax cuts before the next election can only make a tiny dent

in this increase.

The English followers of former president Ronald Reagan and the new US House Speaker Newton Gingrich would claim that this is a bad distribution of the burden and that there should have been real spending cuts instead. The Labour party on the other hand must surely thoroughly approve of the government's priorities, hut cannot say so if it is to appear fiercely opposed to everything now happening.

Mr Kenneth Clarke, the chancellor, however, asserts, with every sign of believing it, that spending cuts have made as large a contribution as tax increases to the improvement of the public finances. This week's Report of the Treasury Committee of the House of Commons provides an opportunity to examine the assertion.

The decision on how much of the national income to spend collectively is a basic political choice. Why then should it be surrounded with so much technical obfuscation which has to be penetrated before the political discussion can even begin? One reason is the frequent shift between talking about year-to-year changes - actual or planned - and alterations which simply represent differences compared with previous plans for the same year. Governments talk too much about these differences, but year-toyear changes are more mean-

ECONOMIC VIEWPOINT

Those vanishing spending cuts

By Samuel Brittan

Another reason is the bewil-

dering variety of definitions of

cally as unemployment fluctu-

Public spending has, on any

definition, risen a good deal faster than the national

income over the whole period

since 1989. After allowing for

inflation, the real year-to-year

increase in the Control Total

has varied between 1.2 per cent

and 4.7 per cent (the latter was

achieved in 1991-92, by some

colncidence immediately before the last election). The

chancellor expects the Control

Total to dip in real terms by %

per cent in 1995-96 and then rise by an average of only %

per cent in each of the two

subsequent years, and thus

decline as a proportion of GDP.

Although the government's plans will disappoint people

who would like to see net real

cuts, they represent very tight

control indeed compared with

the recent past. One can well believe that it has taken Her-

culean efforts on the part of

successive chief secretaries

even to hold the planned

increases to these levels, in the

face of clamorous complaints

spending lobbies which if left

on their own could easily con-

sume the whole national

"cuts" mentioned by the chan-

cellor refers, of course, not to

actual reductions but to differ-

ences between spending plans

announced in successive Bud-

gets. To pick this apart would

be a highly complex exercise

doubtfully compatible with

sanity. So let me concentrate on the £24bn of savings in the

The big figure of £43bn of

about "underfunding"

income several times over.

ates over the business cycle.

UK public expenditure

public spending. The widest, which is used internationally, Changes in 1994 Budget (2bn) is General Government Expen diture, which means the total spending of all government 8.0 48.3 bodies including local authori-Control Total ties but excluding state indus--0.9 -0.7 try investment. Another, specifically British, definition is **Total Butiget thinges** the Control Total which covers about 80 per cent of General Real terms (1993-94 prices Expenditure and excludes items such as debt interest and cyclical social security spend--0.3 -0.6 ing, which varies automati-

Total Budget changes

Control Total that Clarke attributes to his last 1994 Budget. One feature that is slightly ughty about such totals is that they are the result of adding up projected savings over several years. It is not just pedantry that makes economic analysts prefer per annum comparisons. For, by taking enough years at a time. anyone can create vast increases in, say, health service spending or vast decreases in the overall total, depending

on the political point. The year-by-year breakdown of the "cuts" is shown in the

table. The same table also gives the cuts in real terms after allowing for the government's own estimates of future inflation. For the three years taken together, the average

per cent of GDP, equivalent to the cost of half a penny off the basic rate and lower rates of income tax. It is moreover suspicious that these real "cuts" are smallest in the 1995-96 financial year and build up as time goes on. It is also suspicious that these modest real cuts in the Control Total compared with previous plans would disappear altogether without some adjustments in tha contingency Reserve. (The nature of these adjustments would – as Miss Prism might have said in The Importance of Being Earnest - be too sensa-

-22

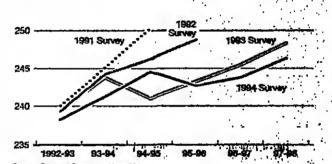
annual real "cut" amounts to

just £1.4bn. This is just over 0.2

tional for a family paper.) There is however a much more interesting disputa between the chancellor and the

Public spending

Control Total in real terms (2bn, 1993-94 prices)



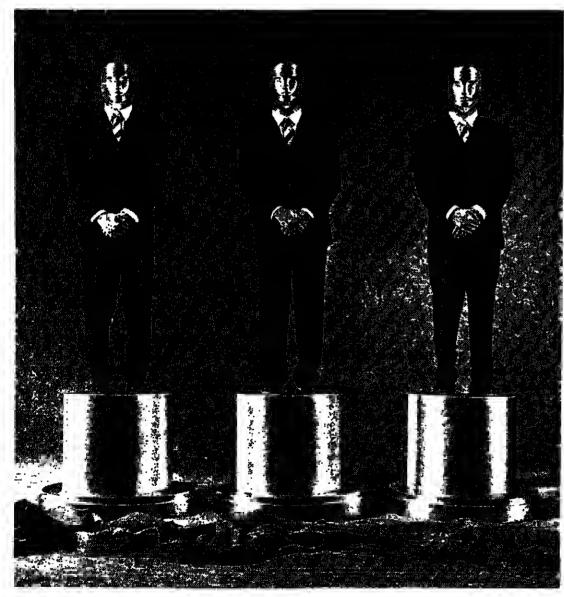
Treasury committee which relates not to future financial years but the present one. 1994-95. If you look at the matter in cash terms, this year's Control Total is estimated to be less than originally planned: in other words, a saving in public spending and a victory for the Treasury. But the sav-ing here is entirely due to inflation turning out lower than expected. In real terms the Control Total is, as the chart shows, estimated to be both higher than previously planned and higher than in the

previous year. The Treasury Committee comes close to arguing that the Control Total should be adjusted downwards in a year when inflation falls below forecast and adjusted upwards when it exceeds forecast. The Treasury replies that it would be extremely disruptive to adjust spending limits in the course of a year in line with changing inflation estimates. It is saying, in effect, that a year of unexpectedly low inflation is good luck far the spending departments. On the other hand in a year of disappointingly high inflation - when many unpopular adjustments will have to be made - the spending departments will have to find extra economies to absorb the cost overrun.

n principle the Treasury's case against adjustme within a single year is a strong one. But even if one accepts it the government's recent spending performance does not look too impressive. The first Public Expenditure Survey which tried to come to grips with the spending upsurge was that of 1993. This showed a substantial rise in real terms in the year when it was made, followe a drop in the year ahead. The drop failed to materialise. Yet the same hump-backed path is shown by the latest Survey (1994) with the dip postponed by a further year. It therefore requires the eye of faith to make one believe that a gov ernment will be able to stick to its very tight - although not Gringrich-like - real plans further ahead.

In public spanding, as in much else, governments must plan for a greater degree of success than jaundiced outside observers expect them to achieve. If this government and the one after it can hold the growth of spending below the trend growth of national income most critical observers will breath a sigh of relief -even though the will be more than the chancellor would

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEL 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

CAP reform and enlargement of EU

From Mr Martin Howorth.
Sir. Your article on the implications for the Common Agricultural Policy of a wider European Union concludes by noting that many of the suggestions for reform have been strongly resisted by European farm lobbies ("Steichen sees no need for CAP reform", January

While this may be true of some of the specific suggestions made, it is unfair as a general statement. The National Farmers' Union published a paper last year which set out a series of options which seem very similar to those contained in the most recent paper produced by various European professors. Last November the European Farm lobby (Copa) jointly issued a long statement on the Accession of Central and Eastern European Countries which, among other things, explicitly recognised that the current CAP may not be an appropriate basis for a policy for a wider Union.

Martin Haworth, head of international affairs, National Farmers' Union,

22 Long Acre, London WC2E 9LY,

From Mr Terry Wynn MEP. Sir, Your report, "Steichen sees no need for CAP reform".

raises two very serious ques-tions. First, there is absolutely no point in the European Commission spending time and money on academic reports if Commission officials are then quoted as saying they will go straight into the bin. This is a totally unacceptable use of the European Union's budget.

Second, it is clear to everyone except tha Commission that the CAP will not survive a further enlargement of the European Union without more reform. Despite what the Commission says, there is not enough money in the budget. It is not a case of "political

naivety": academics are not

asked to provide political solu-

mission) and in the Farm Council of Ministers. CAP spending will not be "controllable and fixed" unless and until we reduce prices further and decouple compensation payments completely from production. The Commission

cannot continue to ignore the Terry Wynn. Inter-group,

Land Use and Food Policy European Parliament, Strasbourg.

tions, but economic analysis. It is a case of complete lack of political will, both in DG VI

(the farm division of the Com-

AWA shareholder interests

From Mr George Loudon Sir Charles Powell and Mr Ian Tegner.

Sir, For a tactical change in our Paris listing, aimed at encouraging more private investors in a company whose French activities are signifi-cantly greater than those in the UK, to be put forward by your correspondent (Lex. "Arjo Wiggins Appleton", January 17) as "creeping French control" is disingenuous.

Further, then to use this conclusion to criticise the composition of the board, its dividend | London SW1A 1HA, UK

policy and its acquisition policy, moves on from the disingenuous to the mischie-

As three independent nonexecutive directors of our company, we are confident that we have proper procedures in place to take into account fully the interests of all shareholders - including St Louis. George Loudon, Charles Powell. Ian Tegner, Arjo Wiggins Appleton,

25 St James's Street,

Society's ethical choices

From Mr John Hartley. Sir, While appreciating Mich-

ael Prowse's attempt to address an important issue in his article, "Adam Smith and the virtues of capitalism" (January 16), I belive that, when he argues on moral grounds for a regime in which no special privileges should be extended to any group or individual, he fails to make an important distinction.

choices available to a society in which all members have equal access to resources is very different from that obtaining in a world such as ours where inequality, injustice and the unfair distribution of resources are the norm. To use a metaphor drawn from Adam Smith's time, the values which

The basis for the ethical

Mr Prowse appears to espouse in his article would allow him to judge as fair a duel in which only one of the participants

was armed I am also intrigued when Mr Prowse argues thet "man has a right to work where he wants". Does this mean that he is in favour of allowing labour to have as clear an access to capital as capital has had to labour in other words, a free market for labour as well as for capital? Would he then wish to see the repeal or abolition of all immigration laws? On this at least we might John Hartley,

Nishihara Heim 3B, Nishihara, 1-45-2,

Hard evidence elusive on climate change forecasts

From Mr John Shlaes. Sir. Nancy Dunne's article,

"Insurers in a storm" (November 2), describes new attempts by environmental activists to attribute incidents of extreme, destructive weather in the past several years to human-in-duced global warming. Specifically, she notes that the green lohby is trying to draw the powerful insurance industry, which has paid out millions in the wake of these natural disasters, into their fight for more government environmen-

In fact, the supposed causal connection between alleged greenhouse warming and recent weather-related disasters does not stand up to scru-

Implicit in the claims of environmentalists is that recent hurricanes, floods and other severe weather events have been unique in their frequency and intensity. in reality, they have not been. The US has documented similar periods of harsh weather in the past, most notably in the 1930s and the early 1950s - a time when atmospheric levels of greenhouse gases were significantly lower than today.

Furthermore, it must be noted that the scientific community continues to debate the validity of the theory that greenhouse gas emissions will lead to significant climate change. Hard evidence support-

ing forecasts of climate change ories are based only on the predictions of computer models that are widely acknowledged as flawed. In short, the fundamental premise of environmen-talists' claims is filmsy, at best. Climate experts are sceptical of claims that weather in past

years is the sign of a changing climate. According to Dr John Houghton, co-chair of the United Nations body charged with reviewing climate change science, "The range of normal natural climate variation is large. Climate extremes are nothing new. Climate records are continually being bro-ken...Changes in climate which indicate a genuine long-term trend can only be

identified after many years". In addition, the World Meteorological Organisation: has. warned against drawing unfounded conclusions linking climate change to specific weather events.

Finally, environmentalists' use of the high damage costs to suggest increased severity of storms is disingenuous. They do not mention that more people are building more expensive developments on land previously undeveloped due to its vulnerable location. John Shlaes,

executive director. Global Climate Coalition, 1331 Pennsylvania Avenue NW. Washington DC, US

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday January 19 1995

Who are you, Mr Balladur?

Yesterday, Mr Edouard Balladur officially declared that he is a candidate in the French presidential election. Opinion polls give him such a commanding lead that most commentators are already treating his election as a cer-tainty. That is alweys unwise. A surge by Mr Jacques Chirac can-not be ruled out; a late decision to run by Mr Raymond Barre could cut deep into Mr Balladur's support. But so long as he remains the favourite, the most creative use that can be made of the campaign is to try to obtain from can-didate Balladur a clearer picture of the direction in which President Balladur would lead France.

Mr Balladur has talked of continuing with the cautious, consensus-building approach of the past two years. For all that, there are two issues on which both France and its partners will want clearer answers than can be readily inferred from the French prime minister's record: the management of the French economy and, closely related to that, the shape France wishes to give to the European Union, in co-operation with its partners, above all a powerful

united Germany. Over the past three years the French have paid a high price, in slow growth and unemployment. for holding the parity between the franc and the D-Mark. Its leaders, including Mr Balladur, are convinced that their success in weathering the recession without devaluing the franc has vindicated them. But the cost of doing so has also confirmed them in their desire to achieve full economic and monetary union (Emu) though Mr Balladur himself, in opposition at that time, brought himself to support the Maastricht treaty only with well publicised

Fiscal measures

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Sec. 2015

According to recent forecasts from the Organisation for Economic Co-operation and Development, the fiscal deficit will remain ona percentage point above the Maastricht target of 3 per cent in 1996. As Mr Jean-Claude Trichet, governor of the independent Bank of France has remarked, it would be unimaginable for France not to meet this test. To be confident of doing so, the government will amounting to perhaps 2 percentage points of GDP. Given the already high tax burden, such measures need to fall on spending. To do so will require Mr Balladur to confront interest groups head on, in a manner that has certainly not been his style hitherto. How, i at all. does he intend to do this?

High unemployment

In 1991, when the two economies were at roughly comparable points in tha economic cycle, the proportion of the French workforce employed was only 60.2 per cent, as against 71.5 per cent in the UK. Rightly, Mr Balladur recognises that the top economic priority is to create jobs, so lower-ing the disastrously high rate of mployment, now 12.6 per cent. If elected, Mr Balladur would have to promote joh creation more ener-getically than hitherto. Some cautious measures have been taken to lower the cost of hiring unskilled workers. What else does he plan?

Emu is the heart of France's domestic and its European policy. But these plans also raise the question of how far Mr Balladur is prepared to go to meet German demands for a federal political union. In an article in Le Monde of November 30 he appeared to reject this demand, coming closer to the UK government's view, also that of General de Gaulle, that Europe should be a union of freely co-op-erating sovereign states. How will this apparent determination to separate monetary from political union be received in Bonn?

Mr Balladur favours closer co-operation with Britain on defence, while pushing ahead with Franco-German initiatives, such as the Eurocorps. He is also keen to bring defence within the EU structure, perhaps as a "fourth pillar" alongside the existing ones of the economic community, the common foreign and security pollcy, and co-operation on justice and home affairs. Clearly defence, like the two latter, would be an intergovernmental rather than a supranational affair. But how precisely would it be structured? How

would it relate to Nato? Those are just some of the ques-tions President Balladur would have to answer in the first year or so of his term. It would be good to hear at least some preliminary have to take fiscal measures answers from candidate Balladur.

UK's warning on inflation

British monatary policy can, according to Mr Eddie George, governor of the Bank of England. "be described as a stitch in time in save nine". The question raised by yesterday's figures on retail prices in December, which jumped more than expected, and on unemployment in the month to December 8, which fell more than for almost six years, is whether the time has come for another stitch. The latest news may not have made an immediate rise in interest rates essential or even desirable. But it has certainly brought that day

In Monday's speech to the Chartered Institute of Bankers, presumably made in full awareness of yesterday's figures, the governor said he could not "in all honesty tell you wbether or when policy will need to be tightened further This seems obvious. Even if he did know, he would not tell the world. But the statement was presumably designed to assuage alarm, as was the argument that the measured actions already taken did not indicate any intention to push interest rates to past levels, but were done "precisely in order to avoid having to jerk up interest rates later".

This is comforting. But another half a percentage point, or even more, would hardly be ruled out by this careful statement, particularly when the base rate of interest, at 6% per cent, remains very low by historical standards. The decisive factor, as Mr George made clear, will be prospective inflation, on which yesterday's news was indeed disturbing.

Forecasts exceeded

The retail price index, less mortgage interest, rose half a percentage point between November and December and 2.5 per cent over the year. In the year to the fourth quarter of 1994 it rose 2.2 per cent, which is more than the 2 per cent forecast by the Treasury at the time of the Budget in late November. The year on year rate in December was also higher than that forecast by the Bank of England in its inflation report for November, though not, interestingly, in August. At least the Bank's economists can no longer be accused of being consistently

over-pessimistic. In November the Bank expected inflation in 1995 to rise above the

level reached at the end of 1994. The question is whether the December figure merely brings that increase forward or provides a higher hase for the same upward trend. Nobody knows as yet, but the jump was only partly explained by increases in excise duties and vehicle licence fees. At the very least, the price increases suggest that pre-Christmas discounting was smaller than a year before. Meanwhile, prices of inputs into manufacturing industry showed a rise of 8.3 per cent in the year to December. Since output prices rose only 26 per cent. the increased cost of raw materials has not yet been passed on. The fear is that it will be.

Buoyant economy

The unemployment data reinforce tha view that the economy has heen bnoyant. Seasonally adjusted unemployment declined pushing the unemployment rate down to 8.6 per cent. In addition, the September figures for the workforce in employment show a jump of 140,000 over the quarter, the first rise in this series since mid-1993. The somewhat different labour force survey gives an increase of 115,000 between summer and autumn. The underlying increase in average earnings did remain at 3% per cent, but this is always a lagging indicator.

Interest rate decisions have to be taken against the background of the UK's still limited credibility. The inflation implied by the gap between conventional and indexlinked gilts is 4% per cent, well above the announced target of 1-21/2 per cent for the second half of this parliament. Monetary poltcy in the UK is also less credible than in France, though the gap in yields on 10-year bonds has fallen to about half a percentage point. Since the trust of investors has not yet been won, policy has to err

on the side of caution. The latest news does not mean that another immediate increase in interest rates has to be made now, particularly since the last increase, of half a percentage point, was made only in December. But the data of the next month or so will have to be watched very closely. Much more news like this and another interest-rate stitch will become not just desirable, but essential.

urope's state-owned telecommunications operators are preparing to face competition for the first time across every sector of their business. For more than a century, legislation has ensured the continent's telecoms companies retained national monopolies in both infrastructure and services. That protection will be swept away

within three years.
Following decisions in 1993 and late 1994 by European Union governments to open their telecommunications markets and improve the performance of companies in the sector, European telecoms operators will be confronted with new challenges, often from aggressive foreign competitors. Some may not survive, at least as independent organisations.

The henefits for Europe's business and residential customers. however, should include lower prices and a broader range of services from a greater choice of sup-

For most of the 20th century, the provision of telecommunications has been considered both a natural monopoly and the responsibility of the state. This attitude has now largely been abandoned by politicians and the operators themselves. One of the first responses to the

prospect of increased competition has been the formation of four strategic alliances involving the largest telecoms groups:

British Telecommunications (BT, the largest British operator which

was privatised a decade ago) and MCI, the second largest US long-distance company, have a joint venture called "Concert". Deutsche Telekom and France Telecom, the German and French

state monopolies, have linked with Sprint, the third-largeat US long-distance operator, in "Atlas". The Swedish, Dutch, Swiss and Italian telecoms operators are involved in "Unisource".

● AT&T, the largest US long-distance operator which had its monopoly broken up 10 years ago, has loose links with a number of operators in a venture called WorldPartners". The nominal aim of these alli-

ances is to win business from large multinational customers. But as the Cambridge-hased consultancy Analysys points out in a new study*: Their founders know that this is only the first move in the battle for control over the global telecoms services markets of the future which will be accompanied hy radical restructuring of the industry.

According to the Organisation for Economic Co-operation and Development, the telecoms husiness already generates more profits than any other European industrial sector, Mr Laurence Heyworth, tele-coms analyst with Robert Fleming Securities in London, calculates that the six major European telecoms operators (excluding Deutsche Telekom's east German activities) will this year generate cash surpluses - after capital expenditure, interest and dividends - of more than \$4hm, or ahout \$30 per exchange line.

But Europe's politicians are afraid that Europe will be left struggling in the slow lane of the information superhighway - the provision of advanced interactive

he European Commission. seeking to open markets and concerned that Rurope is slipping in the global telecoms stakes, has been a catalyst

Late last year, European Union industry ministers, taking their cne from the Commission, agreed that telecommunications infrastructure physical networks including trunk routing, exchanges and the "local loop" between the exchange and the home or office - would be opened to competition hy January 1, 1998. This follows the decision in 1993 to allow competition in services by the same date. (Ireland. Greece and Portugal, whose networks were considered insufficiently developed, were granted an extra five years of protection.)

sity of approaches: · Germany: the largest telecoms

panies are seeking partnersbips

fourth Japan-US workshop on

to prepare for the coming big

The conference - subtitled "how

quake" - was beld in Osaka, near

its organisers felt that despite the

possibility of a large earthquake in

the region, local awareness of the

risks was deplorably low. No-one

Pick and choose

tipster, has long enjoyed a

based in equal measure on

interviews with leading

The perils of being a stockpicker.

Dan Dorfman, the US's foremost

dedicated following for his spicy

mix of analysis and innuendo,

husinessmen and stock market

Just look at the reaction to some

of his tips in the past week alone.

healthcare company, dropped 4 per

cent on a bearisb comment. Quaker

Shares in Caremark, a leading

Oats jumped 11 per cent on a

suggestion that Coca-Cola was

preparing a bostile bld - it had

a Dorfman tip that PepsiCo was

trendy maker of outdoor clothing,

also jumped more than 10 per cent

Some companies, it seems, have

doesn't comment on rumours like

planning a bid. Timherland, a

had enough. Coca-Cola says it

on a takeover tip.

risen 5 per cent back in October on

needs quite such practical experience, though.

the epicentre of the quake, because

urban earthquake hazards

reduction.

 France: France Telecom controls nies to be privatised, hut a change in its legal status giving it ownership of its own shares is under disstrategy through the alliance with Deutsche Telekom and Sprint and

Mexico and Argentina. Liberalisation may occur before the 1998 deadline, especially if the US authorities make it a condition

the most advanced operators. • Italy: Perhaps the least advanced of Europe's operators,

Even worse for the machismo and must now find itself an HQ

Dorfman will not be too worried. As any media-conscious being knows, all of this will simply serve

Now that it's official, and Saatchi

& Saatchi plc - the holding company for both the Saatchi advertising agencies and others - is going to change its name. Observer readers are invited to submit their own suggestions. The best ten will be published; the best of the lot will receive the usual bottle of malt whisky. Even Maurice and Charles Saatchi can enter, if they choose. Letters to the FT or faxes (+44

National palace, from where it used to run the country.

military, the new occupants will not be the re-fashioned police - which will become the main security force - but the new ministry of women's affairs. The military is being slashed from a force of 7,500 to 1,500

refurbishing before minister Lyse-Marie Dejean moves in, though new paint and furniture may not be enough; traditionally superstitious Haitians fear lts new occupants will be haunted by those tortured and killed there in the past

Who's really who? known as the Italian government.

with established operators.

And the growth of new services is proceeding more slowly than expec-ted, while some of these services, such as mobile telephony, are repla-cing rather than complementing traditional services. Electronic mail running on the Internet global computer network is beginning to substitute for fax, for example.

Some 40 of Europe's largest multinational companies have already started to take matters into their own hands by collaborating in an arrangement that would bypass their national operators. Increasingly irritated by the high cost of Europe's telecoms and inadequate service, they have turned to BT and an alliance of AT&T of the US and the Swiss, Swedish and Dutch tele-coms operators to provide them with comprehensive cross-border services in Europe.

The group - the European Virtual Private Network Users Association includes Rank Xerox and ICL and is chaired by Mr John Sale (respon-sible for telecoms at Rank Xerox but now employed by EDS of the US, which manages Xerox telecoms activities). Other members, includ-ing banks and industrial groups, are shy of revealing their membership because of fears of falling foul of anti-cartel legislation.

uch companies' hills con-tribute the lion's share of telecoms profits, but they complain their needs are largely ignored by the operators. The deals, which should be signed on March 1, will give the companies tariff reductions and access to advanced services.

Mr Sale says pan European companies have found it impossible to persuade individual telecoms operators to cater to their needs: "They never ask us what we want and they never deliver what we want,"

be complains.
He believes the agreements with BT and the AT&T alliance will provide three beoefits for members: Management of trans-border networks linking the various offices of each multinational, one of the biggest technical headaches for large

 Access to advanced services not easily available from today's monopolists: "Many of us are keen to have audioconferencing on demand, calling cards, common numbering and short code dialling," Mr Sale says.

• Cost savings that will be at least 20 per cent and could be as much as 40 per cent of today's rates.

Strategic alliances allow national telecoms companies to adapt to such demands from large customers, in addition to offering ways into new geographical markets and sharing the risk and cost of developing new products and services.

Alliances are, bowever, a gamble. Mr Michael Denmead, ooe of the authors of the Analysys study, points out there is a balance to be struck between moving early into a partnership to seize competitive advantage and making the most of the remaining monopoly period to build up profits and reserves, pay will trigger a price war, the decline off deht and restructure their operations for the 21st century.

> *Strategic Allionces between Telecoms Operators, Analysys Publications St Giles Court, 24 Castle Street, Cambridge UK, £695

Diversity of approaches

Competition

down the line

Alan Cane explains how Europe's

telecoms operators are forming new

alliances in preparation for open markets

\$bn, 1993

25 PMC 444

BT

BT/MCI

Combined revenues of the biggest alliances

DT/FT/Sprint

Telecommunications market by country (m ECU)

16,556

5.696

9.415

5.648

5.767

Japan

France

UK

US

us

US

US

Korea

US

US

1991

15,380

5.395

9,268

5,374

5.495

19,910

Ranking by number of main lines

Deutsche Telekom

France Telecom

BellSouth

Bell Atlantic

Ameritech

Korea Telecom

Pacific Telesis

Sources: Analysis: Flemings Research: ETO

vices in the US and this is proving a

burden on Europe's competitive-

ness. Last year Mr Eric Benhamou,

chairman of 3Com, one of the fast-

est growing US telecoms hardware

companies, warned Europe it had to

match or undercut US prices imme-

services in Europe is significantly diately: piecemeal price-cutting cost of new technologies have also

Telefonica

US West

GTE

NYNEX

NII ·

स

European telecoms: forming alliances

Tolk

6.047

9.825

5,867

6.052

20.932

57.3

35.4

30.1

26.1

18.7

18.2

17.0

16.8

15.7

15.6

13.8

13.3

128

6.421

10.411

6.095

6,348

21.631

KDO J

AT&T

6.827

11.008

6.388

e,638

CEM

CEW

Annual marks

1991-3 1993-5

6.4 6.4

10.4

6.0

3.0

4.5

4.9

4.7

principal markets reveals a diver-

telecommunications to office and

home - if competition is not intro-

duced to spur innovation and

Last year a group chaired by Mr

Martin Bangemann, the EU indus-

try commissioner, produced a report which argued that the infor-

mation highway was critical to

Europe's future and that liberalisa-

tion of tha telecoms market was an

The example of the liberalised UK

market and the profits growth

enjoyed by the privatised BT have encouraged the belief that a taste of

competition will benefit other Euro-

The bigger companies such as

Deutsche Telekom and France Tele-

com, which only a few years ago

vociferously opposed any threats to their monopolies, now claim to look

forward with equanimity to a more

However, underlying the big oper-

ators' new enthusiasm for liberal-

isation is a gloomy awareness that

they will not all benefit from liber-

alisation, and that vigorous compe-

tition will put beavy pressure on today's generous trading margins.

telecoms today is preparation for that inevitable squeeze on profits.

The big operators are seeking to

protect their home markets while

finding ways into new markets -

chiefly through their alliances.

They are also boping to stimulate

demand for new services to offset

declines in revenues from tradi-

The rewards for the companies

that succeed will be hig. The indus-

try is generating cash on an unprec-

edented scale and there is every

sign that will continue for some

years. There is, for example, sound

growth in the number of telephone

lines installed. Staff numbers and

capital expenditure bave been

reduced and the cost growth is

slowing. New technology means

that the cost of capacity is falling

In a recent article, however, Mr

Tim Kelly of the International Tele-

communication Union's strategic

planning unit, warns: "In 15 years,

the industry will be dominantly pri-vately owned, competition will be permitted in most leading countries

in both services and infrastructure

and the windfall profits that charac-

terised the industry in the late 1980s

and early 1990s will he a fond mem-

The cost of telecommunications

times more - than equivalent ser- cuts".

tional telephony.

faster than prices.

Mucb of what is bappening in

essential in building it.

pean telecoms companies,

competitive regime.

investment.

market in Europe, it is dominated by monopoly operator Dentsche Telekom, which is set for privatisation by way of a capital increase in early 1996. Dentsche Telekom is pursuing a global strategy through an alliance with France Telecom and Sprint of the US. It is investing in the various national markets of central and eastern Europe. German ntilities and other comtion of liberalisation before 1998. a monopoly market. It is not on the French government's list of compacussion. It is pursuing a global focusing on national markets in

with foreign telecoms operators –
Viag, the electricity utility, has one

Of sanctioning the Sprint alliance.

Of sanctioning the Sprint alliance.

Of sanctioning the Sprint alliance.

privatised for 10 years and now operates in Europe's most liberal market, facing competition from more than 40 licensed operators. It also suffers the most complex regulatory regime. It is pursning a global strategy through Concert, a network services joint venture with MCI of the US. Improved efficiency and strategic thinking put it among

Profits will be squeezed by

increased competition, especially

for long-distance husiness, which

in the cost of calls on the transat-

The ready availability and falling

made it easier for new players to

enter the market in competition

lantic route is one indicato

Telecom Italia was formed last year through the merger of five Italian operating companies. Listed on the Milan bourse, it provides domestic and international services and has

a monopoly. It says it favours liberalisation, but in a "controlled man-ner". It is developing husiness in Greece and Argentina. Italy bas more expensive tariffs

than other main European economies. Liberalisation before 1998 is unlikely.

• Spain: Telefónica is listed bnt run by the state, which has a 32 per cent holding. In global markets it is a member of Unisource, a joint venture including the Dutch, Swedish and Swiss telecoms operators that is itself allied with AT&T of the US. It is pursuing a successful expansion in South America where it is the largest foreign operator.

The Spanish government had secured a five-year extension to the EU deadline, but Telefónica has now decided to meet it.

OBSERVER

more - sometimes as much as 10 meant risking "death by a thousand

Armageddon, sometime

The Grim Reaper has knocked on the door of The Armageddon Letter, a doom-laden sheet edited by Julian Snyder in Switzerland. Its January issue is to be its last. Obsessed with disaster to the very

end, Snyder has reviewed his standing predictions. He has already scored with his forecast of a bear market in bonds. There remain the following, albeit with no dates attached: a collapse of the world's currency system; another stock market crash; a surge in US defence spending and the federal deficit: a commodities boom: massive inflation and a stampede into gold and silver, and world war III.

But although the Four Horsemen of the Apocalypse fittingly gallop across the front page of his final issue, this is not quite the end of the world for Snyder. He will be able to gloat over the promised catastrophes through an Armageddon column in the rival newsletter published by the veteran Harry Schultz, who has welcomed him to his "survival encampment".

Spine-tingling

Coincidence or divine intervention? On the day Japan's Kansai region was hit by an earthquake, 200 delegates were sitting in Osaka, attending the

these, but added: "We would like to elaborate on our statement and observe that Dan Dorfman does not have a clue". Earlier this week, another

company that had been 'Dorfmaned' Incomnet, a small telecommunications company called a report that it was under investigation by the Securities and Exchange Commission "unconscionable": though vesterday Dorfman stuck to his guns.

to feed his reputation. Name that agency

171-873 3936) only please.

New tenants

■ Haiti's military leaders are having their noses rubbed in it. The new government is throwing the army out of the very ornate, yellow building across the road from the

elsewhere. The building needs extensive

All change at the bouse of cards So fast are the doors revolving these days that security guards

outside the office of prime minister Lamberto Dini yesterday had to resort to using newspaper clippings to spot his ministers, arriving for an inaugural cabinet meeting. Dini has the only well-known face

in the cabinet. His "government of experts" - all first-time ministers have been selected for their powers to steer Italy through its current political crisis. Either that or because they are so unknown that when they too pack it all in - they will avold the ensuing uncomfortable glare of publicity.

*Financial Times

100 years ago French President elected The election of M. Félix Faure to

the Presidency of the French Republic removes all cause for immediate uneasiness. M Faure is a Republican, but a Republican of a more moderate cast than his most dangerous opponent, M. Brisson. M. Faure is an honest, capable businessman, whose past history will afford the scurrilous newspaper scribes of Paris very

50 years ago

little to hang their slanders

Miners want nationalisation The executive of the new National Union of Mineworkers yesterday announced that if the coalowners put forward proposals as an alternative to nationalisation of the mines, the union will give a detailed reply. The union is still definitely committed to the policy of nationalisation and will back it up to the hilt.

New York exchange A New York stock exchange seat has been sold for \$61,000, a decrease of \$4,000 from the previous price paid on 3rd December last - Reuter.

Chances of higher interest rates increased as unemployment falls

Unexpected rise in UK inflation

By Robert Chote and Gillian Tett

UK government ministers yesterday played down fears that another sharp rise in interest rates was needed to stop Britain's economy overheating, as official figures showed a big jump in inflation and one of the largest

falls in unemployment on record.

The underlying rate of inflation unexpectedly rose in December to the top of the government's target range for the end of this parliament. But Mr Kenneth Clarke, the chancellor of the exchequer, said this was "no problem". He said be had already taken action to subdue inflationary pressures by raising rates twice last year.

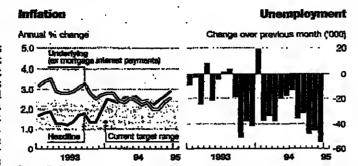
City economists still expect another rise early this year from the current rate of 6.25 per cent, but the pressure may be relieved hy yesterday's announcement that the Halifax Building Society is to raise mortgage rates. With other mortgage lenders expected to follow suit, this should subdue

Volvo to

Europe

expand in

Continued from Page 1



spending, and hence inflationary pressures. The size of the Halifax increase will be announced today. The retail prices index rose by 2.9 per cent in the year to December, according to the Central Statistical Office. This followed an increase of 2.6 per cent

The government's target mea-sure of underlying inflation which excludes mortgage interest payments - rose to a 10 month high of 2.5 per cent in December. Mr Clarke has pledged to keep underlying inflation between 1 and 2.5 per cent until the end of this parliament.

Tax increases in November's Budget accounted for almost half last month's rise in the index. However, prices in many high street sectors were also edging up after heavy discounting and price wars earlier this year.

Analysts were unsure bow far retailers would be able to make increases stick in the face of consumer caution. They warned that inflation was likely to rise again other Budget measures.
"The disinflationary pressure

on the high street would seem to have ended," said Mr Andrew Cates, UK economist at UBS. "An increase in base rates in the first quarter of this year seems highly

Some analysts also feared that last month's big fall in unemploy-ment heralded inflationary pressure. The number of people with-out work and claiming benefit fell by 54,600 in December, after adjusting for seasonal effects.
This was the biggest monthly

fall in nearly six years and only the seventh largest since comparable records began 24 years ago. The unemployment total now stands at 2,413,500, the lowest since the middle of 1991, and nearly 560,000 down from its peak two years ago.

Exports lead recovery. Page 7: Samnel Brittan, Page 10; Editorial Comment, Page 11; Lex. Page 12; Currencies, Page 20; London stocks, Page 26

PepsiCo's new campaign to knock rival Coca-Cola

a number of small-volume models PepsiCo is lannching a multimillion dollar attempt to such as convertibles to expand its car range later in the 1990s. planning to invest SKr1.7bn to huild a new paint shop and to modernise its existing paint facility at its car assembly plant at Ghent, Belgium. Further investment will increase capacity at the Belgian plant from 150,000 to 30 countries in 10 days' time. The advertisements will test

200,000 cars a year. Mr Sören Gyll, Volvo chief executive, said that Volvo was "further strengthening its focus on automotive operations".

Volvo, which increased its truck deliveries worldwide hy 33.5 per cent to a record 68,500 last year, is expanding capacity in Europe and expects to add 700 jobs at its European truck plants

More than SKr1.2bn will be invested in Sweden to raise production capacity for truck cabs, engines, transmissions and axles. At the same time it is investing SKr312m to increase final assembly capacity at plants in Sweden,

Belgium, the UK and Poland. Volvo said it would take a 49 per cent stake in the venture with TWR, which would produce specialist cars in small series, initially coupe and convertible ver-sions of its 850 saloon and estate car range. The venture, which will have a share capital of around SKr100m with TWR holding 51 per cent, will be located in Sweden at Volvo's former Uddevalla car assembly plant. Volvo said that the new operation would be a complete car production facility with body welding, paint and final assembly plants. The new company would invest more than SKr200m in production equipment, while Volvo would invest around SKr1.5bn.

By Roderick Oram, Consumer Industries Editor, in London

break Coca-Cola's dominance of international cola markets. A series of television commercials taking a humorous swipe at its rival will start being screened in

the laws of comparative advertising in some countries, including the UK where attempts to knock competitors' products have been blocked by stringent legislation.

They will feature explicit pre-sentation of a rival's product in a way still banned in some countries as unfair advertising. In other countries such as Greece PepsiCo has been working with regulatory authorities to have rules eased.

In the UK, for example, it is still trying to get the ads approved by the Broadcast Advertising Clearance Centre, a body which vets commercials for television hroadcasters. Despite

recent trademark legislation in the UK, the ground needs to be tested further, PepsiCo said.

"We intend to push the envelope on comparative advertising in markets across the world." Mr John Swanhaus, head of marketing and sales for Pepsi Cola International, the US group's overseas

operations, said yesterday.

The commercials will include scenes of a "102-year old" Italian woman falling asleep over a Coke or of supermodel Cindy Crawford reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans

With Cindy Crawford and a cast of hundreds, Mr Swanhaus launched the ads yesterday in a freezing and desolate County Hall, the imposing London huilding left empty by the axing of the Greater London Council in the

Comparative advertising is the stuff of legends within PepsiCo for the effect it had in the US during the 1970s and 1980s in getting people to switch from Coke to Pepsi. Thirty years ago Coke's per cent and Pepsi's less than 20 per cent. Today they are but a few points apart.

Pepsi sees comparative advertising as an essential technique for helping It to break Coke's international market dominance. Coke outsells Pepsi by about three to one outside the US.

A two-thrust approach will be tried: comparative taste tests which bave heen its stock in trade in the US, coupled with bumorous ads. "We're not trying to denigrate Coke but only have some fun," a senior Pepsi execu-

"Three to five years ago, I think Coke would have over-re-acted to this," Mr Swanhaus said. "But I think they have loosened

Comparative taste test ads have already landed PepsiCo in court in Argentina, for example, but PepsiCo said it hoped a court ruling expected within a month would allow it to use comparative advertising. In Mexico It has won an injunction preventing Coke from seek a court ban on its

some easing of the rules under US market share was almost 40

Continued from Page 1

technocrats was sworn in on Tuesday, Forza Italia and the neo-fascist MSI/National Alliance plus the other minor partners in the outgoing coalition pledged to vote against it in next week's confidence debate

Yesterday moderates in Forza Italia, concerned that Mr Berlusconi had moved too close to the extreme anti-government posi-tion demanded by the MSI. aought to find a compromise.

Fate of Italian government in balance tional" vote of confidence, that would prohably end, or at least

be reviewed, in April Mr Berlusconi himself also still insisted that elections had to be held by June 11 - the date he claims he had privately heen promised by President Oscar Luigi Scalfaro

Neither Mr Scalfaro nor Mr Dini have made any public commitment to a date for elections. The bead of atate himself is known to be anxious to avoid

FT WEATHER GUIDE

willing to promote the formation of another government should Mr Dini fail to obtain the necessary

vote of confidence. Yesterday, dissident members of the populist Northern League ere still undecided whether or not to vote against the govern-ment. Their vote could prove crucial since the new government would need all 97 of their members left in the chamber of deputies to be assured the 316 necessary for a majority.

Europe today

and moist air into western Europe. A lot of rain and unusually high afternoon temperatures are expected from southern England to northern Spain. Strong gales from the south to south-west will develop along the Atlantic coasts of Brittany and southern England. The Low Countries, Germany and eastern France will have some sun with only isolated showers. The Mediterranean seaboard of Spain and France will be sunny and mild. A wavering frontal zone will produce snow or sleet from southern Sweden to Austria. Much of Italy will be cloudy with outbreaks of rain. Southern-most parts of Italy will be sunny at first. The Black Sea region will have wintry showers and light frost. Western Russia will be sunny with light to moderate frost.

Five-day forecast

A large high pressure system near Mose will intensify but will move steadily east. At the same time, a mild, but strong Atlantic air flow will penetrate deep into continental Europe. This will produce cloud, rain, strong



THE LEX COLUMN

Volvo on a roll

Volvo's exposure to Scandinavia. North America and the UK meant it was the first large European automotive manufacturer to pitch into recession. Now, a combination of circumstances is working decidely in the company's favour.

One obvious factor is that Volvo's main markets are in the throes of recovery, as shown by the 16 per cent increase in the number of cars sold last year. The company is also enjoying the effects of a sharply depreciated krona, while aggressive rationalisa-tion has brought costs lower than at the nadir of the automotive cycle. Yesterday's decision to increase produc-tion capacity for cars and trucks should be seen against this improving background. It is an expression of the group's confidence and should contrib-ute to the sharp recovery in sales and profits now under way. The emphasis of the joint venture with the UK's TWR will be on sporty convertibles. Although this is an extension of the group's strategy of aiming at younger drivers, it does in the long term carry the danger of more direct competition with Mercedes and BMW.

Volvo's shares rose only modestly yesterday: investors would have preferred concrete developments on the long-awaited sell-off of the group's non-automotive businesses, especially its branded consumer products division. But the shares look cheap on a multiple of some six times expected peak earnings, a rating which does not take account of the SKr40bn in cash which the group should soon be able to raise from disposals.

Italy

The only certainty facing Italian financial markets is uncertain politics. The markets welcomed the appointment of Mr Lamberto Dini as prime minister. After all, he had all the characteristics of being the right man for the top job; namely, basic similarities to the market's former favourite, Mr Carlo Azeglio Ciampi, in addition, his four-point agenda has struck at the issues most important to the financial markets, bence the market surge on Monday. But his length of tenure remains subject to considerable specu-

There are two hurdles to clear before Mr Dini can achieve anything. He has to survive the immediate opposition of Mr Silvio Berlusconi, without committing the country to an early election. And he then needs the political skills to secure enough time to

Italian stock market

address just the first leg of his political platform, namely the growing bud-get deficit. Failure to achieve this could spark an interest rate rise, and postpone the vital mini-budget to plug

the government's finances.

Nonetheless, the stock market remains attractive. Corporate earnings growth should exceed 40 per cent this year, and 20 per cent in the next. The collapse of the Lira bas come at a time of limited inflationary pressure, and will hoost exports. And the Lira looks undervalued on the basis of purchasing power parities. There are a lot of foreign investors waiting to come into the markets on the signal of diminishing political risk. But in the current circumstances, they would be wise to

Pharmaceuticals

The operating environment for drugs companies, which deteriorated rapidly after 1991, may finally be improving. Political pressure is abating, reducing pressure on prices; regulatory approvals are being granted more quickly and patent protection has been increased, extending drugs' life-cycles; and scientific progress continues to accelerate, promising safer and more effective medicines. The sector is also benefiting from strongerthan-expected US sales growth, and increased efforts by the companies to control costs. The lightening gloom is reflected by the US drugs sector's 20 per cent outperformance since August. Those hoping for the recovery to continue are likely to be disappointed. Most stocks are fully valued against the market. But a few, such as Pfizer and Roche of Switzerland, may yet

outperform. Both groups reported double-digit underlying full-year sales growth yesterday, thanks to a strong portfolio of existing drugs. They are also attacking costs. Pfizer added 1.5 percentage points to its operating margins. Meanwhile, Roche has surprised by cutting research and development staff at its Basie headquarters after the purchase of Syntax. Observer expected job losses to be confined to

Its US acquisition.
The combination of strong sale growth and cost-containment generate an expansion in earning well above industry averages. The long-term prospects for Roche and Prizer are not reflected in their current prices.

UK economy

The trough in UK inflation during the trough in UK inhards caring the current economic cycle has proba-bly been reached if not passed. Retail price inflation excluding mortgage payments in the year to December was 2.5 per cent – up from November's 2.3 per cent and October's 2.0 per cent. December's figures were skewed by the effect of higher excise duties announced in last year's Budget. But they were still higher than expected. Meanwhile, the unexpectedly sharp fall in unemployment brings neared the time when a tighter labour market will provoke larger increases in earn-

So far earnings growth - at 5% per cent in the year to November -remains subdued. Moreover, because of strong projectivity increases at this stage of the cycle, unit labour costs are still going down. But as canacity becomes more fully utilised, productivity will grow less quickly. Most companies were able to absorb last year's increases in producer prices without adding to retail price infla-tion. But, once unit labour costs are also rising, companies will find it harder to take the strain of increasing costs without putting up prices.

None of this means the sharp infla-

tionary rises seen in previous cycles are likely. With the unemployment trate at 8.6 per cent, there should still be some slack in the economy. More-over, the Bank of England still seems determined to min inflationary pres-sures in the bud through thusly increases in interest rates, even though it looks unlikely that it will be able to keep core inflation at below its 25 per cent target.

Additional Lex Comment, Page 17

With effect from Monday 23 January 1995



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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1995

Thursday January 19 1995



IN BRIEF

Siberia gold field to be developed

The way is clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, says Mr Michael Bates, chief executive of Star Mining Corporation, the Australian company that has 34.9 per cent of the venture. Page 19

Thyssen Stahl returns to profit Thyssen Stahl, Germany's biggest steelmaker, has returned to profits after three consecutive years of losses. Page 14

Stega drops listings plan Stega Pharmaceuticals, the Austrian biotechnology company, has abandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolutionary" new vaccine. Page 18

Morocco launches first bank privatisation Morocco is seeking to attract domestic investors to the country's first bank privatisation, launched this week with the sala of most of its 50 per cent stake in Banque Marocaine du Commerce Exterieur.

Strong fourth quarter for Roche

Sales last year by Roche Holding, the Swiss drugs and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SFr14.7bn (\$11.41bn) once converted. The improvement was largely the result of "a gratifying fourthquarter performance". Page 14

Rising paper prices boost Boise Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth quarter net income to \$25.9m, or 32 cents a share, reversing a year-ago loss of \$23.7m, or 98

Pfizer sales growth tops trend
Pfizer continued to outshine other big US drugs companies with sales growth last year of 11 per cent, nearly double the general level expected to be reported by other manufacturers. Page 14

Air France and Sabena close to separation Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier. Page 14

Bienheim hit by £4m restructuring costs Shares in Blenheim fell 15 per cent after the exhibitions organiser announced a £4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. Page 18

Hammerson elinches £61.8m Canada sale Hammerson, the property company, completed its sixth substantial deal since last summer, selling more than Im sq ft of offices in Calgary, Canada, for £61.8m. Page 18

First Leisure dances way to big rise Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per cent. Page 17

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Market Statistics

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GAN to seek government rescue

Gronpe des Assurances Nationales (GAN), the statecontrolled French insurance company, yesterday confirmed that it would need a recapitalisation from the government of up to FFr3bn (\$568m) to cover losses for the 1994 financial year.

The announcement highlighted the crisis surrounding companies thet invested in the property sec-tor in France, and caused GAN's share price to fall FFr14 to close

GAN may be forced to make a direct call for funds on the govdirect call for funds on the gov-ernmant. This could prove a has a controlling stake.

Takeover

speculation

questions

By Norma Cohen and Nicholas

The share prices of investment

bank S.G. Warburg and its 75 per

cent owned subsidiary, Mercury

Asset Management, rose sharply

in active trading yesterday,

prompting the London Stock Exchange to seek an explanation.

The exchange spoke to War-hurg's broker, Cazenove, which is

understood to have said it knew

Warhnrg shares jumped sharply in December when it

announced it was in merger talks

with Morgan Stanley, the New

York investment bank, but they

fell back later in the month when

the deal discussions were aban-

terday at 737p with 1.2m shares traded, while MAM shares closed

52p higher at 748p. Stock market traders attri-

buted yesterday's rise to specula-

tion that Warburg had once

again become an acquisition tar-

Atlantic Ocean are saying "no".

ment teams.

managed internally at the end of

techniques eroding the cost advantages once enjoyed by

internal managers; and increased vigilance over pension assets now demanded of fund trustees.

In some cases, poor fund per-

formance can be a factor, though

this is not generally the case: Data from WM Company, the UK

between the performance of

In the five years to 1994, inter-

nal managers achieved average

returns of 16.9 per cent on funds

earned returns of 16.8 per cent.

their core business.

internal and external managers.

Warburg closed 41p higher yes-

of no reason for the price rise.

raises

Denton in London

political embarrassment in the run-up to the presidential elec-tions in April and May.

It comes at a time of heavy budget deficit and as a second rescue package is being discussed for Crédit Lyonnais, the embattled banking group, partly as a

result of property losses.
In an official statement following informal comments reported on Tuesday by the chairman of GAN, the group confirmed that it would report substantial losses for the year triggered by heavy additional provisions at Union Industriella de Crédit (UIC), the

Warburg and MAM shares rise sharply in heavy trade

Climbing again

600

Source: FT Graphite

below 50 per cent.

Warburg yesterday declined to comment, while Deutsche Bank,

rumoured as a potential bidder,

firmly denied its interest. How-

ever, there is also speculation

that Warburg may be considering

the sale of its some of its MAM shares, reducing its stake to just

Last month's merger talks

hroke down after directors at

MAM indicated they were not

satisfied with the terms of the deal, including the value put on

"We see no reason to change

the relationship between MAM

and Warburg," a spokesman for both firms said yesterday, adding

that relations between the two

had been unchanged by the

Mr Jean-Jacques Bonnaud, who was appointed by the government as head of the insurance group last July, said provisional findings of an audit currently underway at UIC indicated that

losses of FFr2.5bn-3bn for 1994. The details caused shares in UIC to fall by 18 per cent to close down FFr50 at FFr228 on the

the company would produce

Paris bourse. Mr Bonnaud said the losses had been primarily caused by a legacy of bad loans at Sofal, a subsidiary of UIC which specialised in the development and redevelopment of commercial property. UIC is in turn con-

Merger talks announced

Mercury Asset Management

S.G. Warburg

fund management industry has

belped fuel speculation about the

possible sale of a stake in MAM,

securities analysts said. In

December, fund manager Jupiter

Tyndall confirmed it was in talks

with several parties about the

possibility of being acquired.
There is speculation that MAM

directors would prefer that any

stake be placed in the hands of a

single, friendly buyer rather than offered to the market in a flota-tion. It might also prefer a buyer

which could help expand its busi-

ness, particularly in the retail

Shares in Kleinwort Benson

and Hambros, two other indepen-

dent UK investment banks, also

gained yesterday. Kleinwort Ben-son shares added 29p to close yes-

trolled by GAN through a 68 per cent stake.

Ha said that GAN would recapitalise UIC through an injection of shares. This process would in turn cause GAN to report a deficit of the same order as the losses

at UIC.

The new provisions come on top of more than FFr6bn already set aside by GAN against UIC in the 1993 financial year and the first half of 1994, and a ringfencing in a separate structure of the company's debts of

chief from RTZ

Mr Bonnaud said the government had already agreed in prin-ciple to a recapitalisation of property losses.

By Robert Peston in London

ate, early next year.

Mr Ian Strachan, deputy chief

executive of the mining group

RTZ Corporation, is to succeed

Mr Alan Jackson as chief execu-

tive of BTR, the UK conglomer-

Mr Stracban's appointment,

which may be announced today,

will come as a surprise to the City of London, because it is the

first time that BTR has appointed

an outsider to the top post, since

it was transformed into an

acquisitive conglomerate 30 years

Mr Strachan, 51, is expected to

join the BTR board in April and

will take over as chief executive in early 1996. He has been chosen because of his international expe-

rience, according to a corporate

Mr Jackson, an Australian, will

be 60 next year. He will stay on

the board in a non-executive capacity, after standing down as

chief executive, but will not

become BTR's chairman, despite

speculation that he would replace Mr Norman Ireland in that role. BTR will now start looking for a

replacement for Mr Ireland, who

is 67 and has been with the group

The company is again likely to

break with tradition and appoint

an outsider to succeed Mr

Ireland. Sir Robin Biggam, the

construction group, has been

· However, there have been no

to leave BICC at present because

he has no obvious successor.

mooted for the role.

since 1967.

financier who knows him.

ago by Sir Owen Green.

and amount have yet to be determined. They are likely to be announced at the time of the group's results in April.

Mr Bonnaud took over as chairman of UIC last October and appointed a new managing director, after which he began a detailed audit and plans to restructure the company.

"This is a very bad surprise," said one Paris-based insurance analyst yesterday who predicted further provisions would still be necessary. "GAN bad already made some provisions, but was the least provisioned against

BTR picks new

Total operating expenses decreased 10 per cent to \$1.12bn. The company ended the quarter with 65,600 employees - a reduction of 21,900 jobs, or 25 per cent, over the past 12 months.

"Digital reached one of its most aggressive interim goals: achieving operating profitability by the end of the 1994 calendar

Digital reported growth in both US and international mar-kets, especially in the Asia-Pacific region. In Europe, the company "made excellent progress in restructuring business operations and positioning for profitable growth", said Mr Palmer. Enropean revennes increased by 5 per cent compared to the same period last year.

Mr Strachan has been RTZ dep-

Before joining RTZ as finance director in 1987, be had been with Exxon, the US oil company, for 16

formal discussions with Sir Robin, who would find it difficult At RTZ, he had responsibility for Pillar, a collection of building products and electrical basinesses which were sold to MB Caradon 17 months ago.

BTR is also likely to begin a search for possible non-executive directors from outside the company. Its non-executives have always consisted of former BTR



Alan Jackson: standing down

executives, in breach of a core principle of the Cadbury Code on corporate governance. Over the past year, BTR has

been the object of criticism from stock market analysts and investors, having for the previous decade been one of the UK's most respected companies. Its shares have lost a quarter of

their value in the past six months because of concerns about the absence of an obvious internal candidate to succeed Mr Jackson and worries about a narrowing of the group's profit mar-

uty chief executive since June 1991, when he narrowly lost out be chief executive.

BTR last night declined to com-

Cost cuts put Digital back in the black

By Louise Kehoe in San Francisco

Digital Equipment reported a return to profitability in its second fiscal quarter with a modest increase in revenues and sharp cost cutting, including the loss of 8,200 jobs or 11 per cent of the workforce. The computer com-pany reported net income for the quarter, ended December 31, of \$18.9m, or 7 cents a share, compared with a net loss of \$72.1m, or 53 cents a share for the same or 55 cents a snare for the same period last year. Analysts had predicted further losses of 20 cents a share for the quarter. Total revenues for the quarter

were \$3.47bn, np 7 per cent from \$3.25bn in the same period last year. Revennes from product sales rose 13 per cent to \$1.87bn from \$1.66bn. This is the third consecutive quarter of year-onyear product revenue growth. Service revenues were \$1.6bn, np slightly from the \$1.59bn in the same period last year.

year," said Mr Robert Palmer, president and chief executive. Management will continue to focus on sustainable profitabil-ity, continued cost discipline, generation of cash from operations, and revenue growth," be added.

Sales of Digital's flagship Alpha computers increased by more than 150 per cent during the previous year.

gins fall sharply from past levels. However, gross margin for the quarter was 33.1 per cent, up from 30.2 per cent in the first fiscal quarter. For the year to date Digital reported revenues of \$3.5bn, np from \$3.2bn in the first half of fiscal 1994. Net losses were \$129.4m, or 19 cents a share, compared with net losses of \$226.4m or \$1.67 a share in the same period a year ago.

佐て横四の南山のはは、大名ないのなどを

Norma Cohen charts a shift towards external fund management as the costs of internal oversight rise

Recent merger activity in the

Pension schemes an companies which are good at making cars or selling hamburgers also be good at managing investcautiously step ments? Increasingly, large corporations on both sides of the For decades, many companies out and about with larga group pension

schemes have acted as the investment manager for their own funds. However, changes in the tors such as emerging markets, derivatives or venture capital are investment business mean that for many companies the advannow core segments of the stantages of managing money in house are disappearing.

In the UK, Imperial Chemical dard pension fund portfolio.

Salaries are soaring, especially for professionals with expertise Industries and Coats Vivella. with pension assets of £4.6bn in these areas. "The cost of keep-(\$7.2bn) and £900m respectively, have both decided to abandon ing good people, particularly on the international equity side has been too high", said Ms Susan their long-standing in-house fund Dowse, investment consultant at

actuaries R Watson and Co. The trend is already well entrenched in the US, where, Technology, moreover, has both Shell Oil and IBM are con-sidering increasing the portion of fund assets handled by outside become increasingly essential to enhance performance as mainstream fund managers integrate quantitativa approaches, involv-ing the collection and analysis of According to data from Inter-Sec Research, a US-based consullarge quantities of data. to stock selection and asset allocation.
"Wa concluded that the investtancy firm, US pension assets

1992 were roughly 27 per cent of \$3,320bn in assets. In the UK at ment waterfront has broadened the end of 1992, about 40 per cent Traditionally of the \$689bn in pension assets were managed internally. Three main factors lie behind companies have enjoyed a cost this: a change in corporate philosophy; changes in investment

advantage managing funds in-house and in many instances

explaining his company's declsion. "There are many areas where in-house managers don't have the expertise or the technology to do the job effectively." For Shell Oil, the issue has been the poaching of some of its

exclusive of property investments while external managers lost some people who we didn't want to lose

While internal fund management costs are rising, competition for business among external managers is pushing down their

Pension Consulting Alliance,

recounts that a client of his, a

Nevertheless, many pension schemes are still choosing internal management over external on grounds of cost and performance. Last year, Nestle UK Pension ome, one of the UK's largest pension funds, removed its exter-nal managers and brought the fund inside following a review of

Some of the largest US pension schemes continue to be managed internally, partly because they use passive techniques which, with the right computer systems, can he run at very low cost. These techniques do not require stock selection, but simply rely on the manager to create a basket of stocks which mimics the composition of a key stock or bond index.

the best return on their assets.

"Lawyers usually raise red

In short, the decision on whether to manage a fund in house or go outside is growing tles. Taken together, these facbalance of choice towards the

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plus Working Capital Facilities Nat West Markets, Acquisition Finance Management & Employee Buy-out of

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The philosophical shift is that many companies, particularly in the US, are shedding peripheral activities - including pension fund management - to focus on Traditionally, companies have enjoyed a cost advantage managing funds in house and in many instances they still do. However, the costs of internal management are rising sharply.

they still do considerably", said Mr Sam Dow, Coats Viyella company secretary, performance measurement agency, suggests that in Britain. there has been little difference

> best fund managers by high paying independent fund management companies. "The problem is being able to maintain the expertise," one official said. "We have

Mr Alan Emkin, managing director at Los Angeles-based multinational with a \$15bn indexed pension portfolio, had considered bringing the funds back in bouse but had received a bid from an external manager at a cost of about 0.05 of a per cent of assats under management. In-house, the service could have cost up to 0.2 per cent.

But consultants note that another factor encouraging com-panies to look outside is the growing awareness, hacked by legal pressures, that pension fund trustees must fulfil their "fidnciary dntles" - which includes giving scheme members

flags about issues of trusteeship, notes Mr Mike Beasley, managing director at Strategic Investment Solutions, a Californiabased investment consultancy. "If your in-house manager under performs, you have taken on a liability which is much harder to

far more complex, and companies must weight up considerations of cost, control, investment performance and fiduciary responsibilitors are increasingly moving the

INTERNATIONAL COMPANIES AND FINANCE

Thyssen Stahl in black for quarter Air France

By Michael Lindemann in Bonn

Thyssen Stahl, Germany's biggest steelmaker, has returned to profits after three consecutives years of losses. However, the group warned it still needed to shed a further 20 per cent of its workforce if it was to achieve the aim of becoming one of Europe's most efficient steel companies.

The company made an operating profit in the third quarter of the last financial year, which ended on September 30. but this was insufficient to offset previous losses in the year. Net losses for the year were DM448m (\$294.7m), compared with a loss of DM1.23bn for the previous 12 months.

Turnover last year rose 3 per cent to DM11bn from DM10.6bn the year before. Mr Ekkehard Schulz, chief executive, warned that the sales rise was due to higher output and that prices bad only recently begun to rise. Turnover rose 22 per cent in the first quarter of the current financial year, to DM2.9bn from DM2.41bn.

The company said it hoped to have only 37,000 employees by the end of this year, some 7,000 fewer than at the end of the period under review, and 21,000 fewer than at the end of

It was unable to say how much the restructuring would cost, but revealed that some jobs would move from Thyssen

Stabl to joint ventures formed with Krupp-Hoesch, Germany's

second biggest steelmaker. The smaller losses this year were attributed mainly to costcutting but Thyssen would need to redouble its efforts if it was to match more productive steelmakers such as Britisb Steel, Mr Schulz said, Personnel costs still accounted for around 24 per cent of total turnover, a figure which the company wants to reduce to around 20 per cent by the end of tha year.

Prospects for the steel business were improving as a number of European countries nulled out of recession, but it remained unclear how long the good times would last. "We cyclical steel business the next downturn is on its way, and that will be the real test of whether [steelmakers] bave done their homework," Mr Schulz said.

Prices were raised by an unspecified amount on January 1 and will be lifted by a further 4 per cent on April 1. The second rise was agreed with the automotive industry. which accounts for about 20 per cent of Thyssen's turnover.

Thyssen was working at full capacity to produce flat products, which make up more than 80 per cent of sales. Capacity utilisation rates for long products had also

and Sabena close to separation

By John Ridding in Paris and Caroline Southey in Brussels

Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier, according to transport ministry officials in Brussels.

The officials declined to give details of the negotiations, but said an agreement on the sale of some or all of Air France's 37.5 per cent stake could be reached by the end of this month.

They said Sabena and Air France may continue to co-operate in some areas, even if the French airline sold its shares in the Belgian carrier. Industry analysts in Paris suggested the timing of a deal woold depend on parallel negotiations with other airlines, particularly Swissair, the Swiss flag-carrier which is negotiating the purchase of a stake in Sabena. Delta of the US and American Airlines have also been mentioned as potential partners, although Luxair, the Luxembourg airline, has recently played down

the prospect of closer co-operation with the Belgian carrier. Air France initially resisted the sale of its stake, which is held through Finacta, a holding company that groups the French state-owned carrier and financial partners. Air France owns two-thirds of Finacta, which holds 37.5 per cent of Sabena.

Pressure from the Belgian airline, however, and the fail-ure to develop sufficient co-operation between the two groups, has shifted Air France's position. It is thought ready to agree to the sale of its stake, providing it recoups the BFr4bn (\$127m) it paid for its

investment. Receipts from the sale would be welcome for Air France, which is in the middle of an ambitious cost-cutting and

The plan, introduced by Mr Christian Blanc, chairman, is almed at curbing losses of FFr8.5bn (\$1.6bn) in 1993 and reducing debts of more than

Strong fourth period lifts Roche figures for year

By Daniel Green in London

Sales last year by Roche Holding, the Swiss drugs and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SFr14.7bn (\$11.41bn), once converted.

The improvement was largely the result of "a gratifying fourth-quarter performance", said the company, compensating for poor second and third quarters.

The figures, the first in the

sector's 1994 reporting season, were limited to divisional sales. On profits, Roche said only that they had risen in 1994 in spite of restructuring costs. Full details are due in

Sales by the pharmaceuticals division, Roche's higgest, rose by 10 per cent in foreign currency terms, excluding the contribution of Syntex, the Californian drugs company which it

Syntex was consolidated from November. Including its contribution, pharmaceutical sales rose 7 per cent to SFr8.3bn. Growth was 15 per

cent in foreign currency terms. "We are seeing outperformance by 3-4 per cent from Roche, thanks partly to the performance of its [62 per centowned biotechnology subsidiary] Genentech," Mr Mateus Wolf, analyst at Swiss Bank in

Zurich, said. Roche's fastest growing products included Neupogen, used to help blood withstand cancer treatment, and Roferon A, an alpha interferon used in cancer and hepatitis treatment. Roche said that Aleve, the over-thecounter version of the Syntex pain-relieving drug Naprosyn, which has been marketed in a joint venture with Procter & Gamble in the US, had "developed well beyond expectation

growth in the US. Gameny, UK. Spain and Australia. said sales in these markets were "considerably highes" than the 4-8 per cent growth by the industry as a whole

Roche's diagnostics division sales showed no growth on a foreign currency basis, and were down 7 per cent to SFr1.6bn. The company sold some businesses in 1994, such as in microbiology, and such fered from changes in US gov-ernment reimbursement rules for health laboratories.

There was a "marked reviva in demand" for fragrances, and the flavours business contin-ued to grow in North America Sales by the fragrances and flavours division rose 6 per cent to SFrI.5bn and 18 per cent in foreign currency terms.
Roche certificates rose SFT60 to SFr6,325 on the Zurich stock market.

Management shake-up at Italian bank

By Andrew Hill in Milan

Banco di Napoli, one of Italy's oldest and largest banks, has appointed two interim managing directors after its controlling shareholder insisted on a reshuffle of top management. A permanent managing

director could be appointed before the summer to restore the bank's reputation and pilot it out of losses, which prompted a slump in its share price and a downgrading of its credit ratings last year.

The position of Mr Pietro Giovannini and Mr Gianpaolo Vigliar, the outgoing managing directors, has been under scrutiny since last October, when Banco di Napoli unexpectedly announced a half-year deficit of L168.8bn (\$105.4m) before tax, hlamed on losses on its investment portfolio and provi-

Générale des Eaux, the French

water, construction and com-

munications group, said yester-

day it would recapitalise its

property subsidiary, after a

sharp increase in losses at the

Apart from the problems at

the subsidiary, Compagnie Immobllière Phénix, the

French utilities group outlined

a relatively upbeat assessment

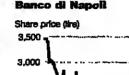
of prospects. It said sales

unit last year.

first half of 1993, the hank made a profit of L162.2bn. On Monday, the foundation which owns just over 70 per cent of the bank issued a thinly-velled invitation to Mr Giovannini and Mr Vigliar to step down. It said "the strongest measures" were necessary to overcome "the uncomfort-able situation" within the bank's top management. A day later, Banco di Napoli said the pair had been replaced by two directors from within the bank,

Mr Luigi Coccioli, chairman. confirmed yesterday that the bank would call an extraordinary meeting of shareholders at which a new, more flexible management structure could be adopted. This is likely to include the creation of an execntive management committee, and the recreation of the post

FFr3.2bn achieved in 1993.



Mr Francesco Bombaci and Mr 1992 93

> of "director-general". Banco di Napoli is beginning to distance itself from its

recent past when, under the controversial management of Mr Ferdinando Ventriglia, a former chairman who died last year, it was open to political

amounted to FFr158m.

recapitalisation.

Democrat party in the region. In a statement released on Tuesday, the bank's board thanked Mr Giovannini and Mr Vigliar for their "sensitivity" in stepping aside. They will remain on the board. The bank said its directors "considered it extremely urgent to nominate new managing directors imme-diately, so as not to interrupt

the continuity of Banco di Nap-

manipulation by the Christian

oli's activities". The bank has suffered in the past year from the backlash of recession in southern Italy, where some 600 of its 800 branches are located, with small and medium-sized com-panies defaulting on loan repayments. The Italian treasury, which is a shareholder of the bank, is also conducting an inquiry into Banco di Napoli's lending policy and foreign par-

Générale des Eaux to bolster property unit

would increase hy about 7 per cent to more than FFr165bn Générale des Eaux said it would move urgently to reor-(831.25bn) this year, with strong growth in international ganise and recapitalise Phénix, while guaranteeing the inter-It also confirmed that profits ests of minority shareholders. It said it had not yet decided in 1994 would rise by between 4 and 5 per cent from the on the timing or the size of the

industry observers sald the Compagnie Immobilière Phénix is estimated to have lost decision to move quickly to about FFrlbn in the second six redress Phenix reflected the months, after a deficit of arrival of Mr Jean-Marie Mes-FFr650m in the first half of the sier as managing director and year. In 1993, losses there helr-apparent to Mr Guy

Dejouany, group chairman.
"As expected, he wants to push through a short, sharp clean up at Pbénix," said one property analyst.

With respect to its other activities, Générale des Eaux emphasised the strong demand in international markets. It restructuring plan. said sales outside France should rise by about 19 per cent to about FFr54bn tbls year, reflecting the benefits of expansion in the US, Asian and European markets.

Pfizer sales growth tops trend

within a short time". .

By Richard Waters in New York

Pfizer continued to outshine other big US drugs companies with sales growth last year of 11 per cent, nearly double the general level expected from other manufacturers.

The sales advance was achieved on the back of a batch of new drugs launched in the past three years, and comes at a time when many other drugs groups face a dearth of new products and

pressure on older products as patents expire.
Pfizar's fastest growing

drugs last year were Norvasc, a cardiovascular drug which recorded an 85 per cent jump in sales to \$767m, and Zoloft, an anti-depressant, sales of which climbed 55 per cent to

The cardiovascular drug Procardia, the company's biggest selling product, matched 1998 sales of nearly \$1.2bn, due in sales, attributed to "normal

variations in trade stocking While total sales for the year reached \$8.3bn, phermaceuti-cals sales were \$5.5km, up 12 per cent from 1993, the com-

nany said. After tax profits were \$1.3hn. or \$4.19 a share, for the year, slightly ahead of expectations. This compared with \$57m, or \$2.05, in 1993, struck after \$752m of restructuring charges For the final three mouths of 1994, net income was \$384m. Lex, Page 12

Peugeot considers return to US

PSA Peugeot-Citroën, the French vehicles group, yester-day confirmed it was studying a return to the US market from which it withdrew in 1991. It said a decision should be made

during the summer.

The company said, however, that reports of a five-year, S4bn investment represented just one of the ideas under consideration. "That is one hypothesis, and it is at the top of the

range of possible plans," an official said.
The possibility of a signifi-

cant investment in the US market, however, prompted a nervous reaction among investors. Shares fell by FFr18 to FFr721. Mr Jacques Calvet, Peugeot-Citroën chairman, has sald that he plans to raise the non-European sales of the group from between 12 and 14 per cent at present to about 25 per cent by the end of the century. However, officials said this

did not imply a return to the US, and the goal could be achieved through further sales increases in Asia and Latin America:

Renault, the Franch stateowned rival of Peugeot, said it did not envisage a rebuil to the US market. "The out would be extremely high, the company said. To be compiled. tive you would need to invest in plant, a sales network and a range of specialised products

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS



Volvo takes the wraps off expansion strategy

The group has ambitious plans, writes Kevin Done

off its strategy for expanding its automotive operations independently, more than a year after the spectacular collapsa of its planned merger with Renault, the French majority stateowned carmaker.

h tops tren

Murn to US

The moves outlined yesterday are the first steps towards expanding its successful truck operations in Europe, while providing a broader base for its car division with the development of new products outside the narrow confines of its

Volvo acted quickly last year to set the priorities for its new corporate strategy. This is centred on the plan to concentrate resources on its car and commercial vehicle operations (it will retain its aero and marine engine activities), with the divestment of most of its noncore activities.

By late 1994 it had regained control over its strategic auto operations by dissolving its alliance with Renault and removing the cross-sharehold-ings binding the two groups' car and commercial vehicle operations. It also began the disposal of unwanted activities with the aim of strengthening its balance sheet.

The expansion of its automotive operations will not be achieved cheaply, but Volvo's finances are improving rapidly, fuelled both by the disposal programmo and, more important, by the turnround of the automotive operations.

Not debt had been driven down from SKr14.5hn (\$1.9hn) at the end of 1993 to SKr700m at the beginning of October last year. The group's equity-to-assets ratio had risen to 30 per cent from 21 per cent. Mr Soren Gyll, chief executive, aims for a ratio of 50 per cent. Profits are rising fast as

Volvo benefits from the tough

cost-cutting programmes it was forced to implement during the recession, as well as from an upturn in its main markets and a favourable response to new car and truck products

launched in the last two years. Volvo Truck had record sales year last year, with volumes climbing hy 33.5 per cent to 68,500. Operating profit in the first nine months rose to SKr2.697bn from SKr183m in the corresponding period a year earlier. Volvo Car increased sales volume in 1994 by 15.9 per cent to 361,500, with

SKr1.95bn from SKr10m. The truck operations are embarking on a far-reaching expansion in Europe and Asia. with the first move aimed at expanding production capacity outside North America to

60,000 trucks a year with an investment of SKr1.7bn. Some 42,000 trucks were produced outside North America last year. About 27,000 trucks a

year are produced in the US. The planned expansion will take place in Europe with heavy investment in the production of cabs and components - engines, gearboxes and axles - in Sweden, and the expansion of assembly capacity in four countries, Belgium (up by 4,000 to 26,000), the UK (up by 1,000 to 5,500). Poland (up by 500 to 1,500) and in Sweden (up

lso under consideration are ambitious plans for L the development of a now range of trucks to allow Volvo to enter the European light truck market, as well as for the establishment of a joint venture in China with the aim of adding a production centre in Asia to its three regional truck mannfacturing operations in Europe and North and South America, It has also launched a feasibility study into establishing produc-

tion in India. Asia is Volvo's "number one priority" in the geographic expansion of its truck operations, says Mr Karl-Erling Trogen, chief executive of

Volvo Truck. Volvo is among the world leaders in the truck sector, but in the car industry it is one of the smallest producers in the mainstream industry. Mr Per-Erik Mohlin, presi-

dent of Volvo Car, has made clear that it will need a numoperating profits in the first ber of partnerships to replace the alliance with Renault. nine months rehounding to The joint venture with TWR the UK automotive engineering

group controlled by Mr Tom Walkinshaw, is a first step.
It will develop small volume niche products, initially a cabriolet and a coupe, from Volvo's main 850 large car chassis

Jolvo is strong in the "family market". says Mr Mohlin, but it must develop a strategy for broadening the customer base to gain more "pre-family" and "post-

family" buyers. "We know it is possible to develop more cars from a single platform. The trick is to utilise common components but to differentiate the products," he says.

To achieve this flexibility with Mr Walkinshaw, the entrepreneurial and technical talent behind JaguarSport (a previous Jaguar/TWR joint venture) and the Benotton grand prix team.

Volvo Car already has in place one other big alliance, namely its joint venture in the Netherlands with Mitsublshi Motors, which will provide Volvo with a replacement for its current 400 medium car range starting in 1996.

Mr Pickerell joined Jardine Matheson, the group's manhas worked as development director of the Mandarin Ori-ental Rotel Group and director

Jardine Matheson Holdings is Hong Kong's original hong, or trading conglomer-ate. It is about 9.8 per cent owned by the Keswick family of the UK. At the end of last year the group delisted from the Hong Kong Stock Exchange, leaving it with a primary listing in London and

Taiwan group

Tuntex Distinct, one of Taiwan's leading chemical and construction companies, reported a 31 per cent surge in pre-tax profits to T\$4.2bn (US\$158.8m) in 1994 from T\$3.2bn a year earlier. Reuter reports from Taipel Sales rose 39 per cent to TS21.5bn, the first time annual sales have topped TS20hn.

Price rises return Boise Cascade to the black

By Laurie Morse in New York

Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth-quarter net income to \$25.9m, or 32 cents a share, reversing a year-ago loss of \$23.7m, or 98 cents.

Sales in the quarter rose to \$1.1bn. In the same 1993 quarter sales were \$997m, which included \$73m from Rainy River Forest Products operations that were spon off in a public offering in Septem-

ber. "Fourth-quarter results demonstrated the powerful earnings leverage in our paper husiness," said Mr George Harad, president. "Rising paper prices, which on average increased \$118 per ton, or 24 per cent, from fourth quarter to fourth quarter, drove the significant swing in our earnings per share."

For the full year, excluding extraordinary gains and losses, Boise reported a loss of \$35.6m, or \$2.37 a share, com-pared with a loss of \$83.6m, or \$3.34, in 1993. Sales for tho year rose to \$4.1hn, from

\$3.95bm a year ago.

Bowater, the US paper-maker, said income before special gains was \$11.1m, or 17 cents a share, compared with a 1993 fourth-quarter loss of \$19.4m, or 55 cents, Sales in the quarter rose to \$381.9m,

un from \$340.4m a year ago. For the year. Bowater posted a net loss of \$4.8m, or 59 cents, on sales of \$1.36bn, trimming a 1993 loss of \$64.5m, or \$1.84, on sales of \$1.35hn.

Greater autonomy for Jardine **Pacific**

Jardine Matheson Holdings yesterday appointed Mr Anthony Nightingale as chairman of its Jardine Pacific subsidiary in a move aimed at granting more autonomy to the regional trading and services company, AP-DJ reports

from Hong Kong.

Traditionally, the chairman of Jardine Pacific has been the managing director of Jardine Matheson, the group said. dition, Mr Nightingale will take up a director's position on the Jardine Matheson board but will not serve as its managing director.

Mr Nightingale is currently Jardine Pacific's managing director. He will be succeeded by Mr Blair Pickerell, currently a Jardine Pacific director who handles Jardine Pacific's trading and distribution

agement company, in 1984 and of Jardine Fleming.

secondary listings in Singa-pore, Australia and Luxem-

advances sharply

Morocco launches first bank float

In a Moroccan TV commercial running this week, the star of a hit Moroccan movio, In Search of My Woman's Husband, arrives home bearing a gift for his wife. He has her guessing for a while then reveals that the gift is shares in a hank.

This is how Morocco is altracting domestic investors to the country's first bank privatisation, launched this week with the sale of most of the state's 50 per cent stake in Banque Marocaine du Commerce Exterieur (BMCE), the country's second-largest bank

BMCE's privatisation is being conducted in two stages. The first issue, for 14 per cent of the capital, will raise Dh455m (\$47.3m) at Dh325 a share from Moroccan investors on the Casahlanca bourse by

At the same time, the state is offering a further 26 per cent stake in BMCE to a consortium of domestic and foreign investors, who are invited to tender their bids by March 6. A further 3 per cent of the

the end of this week.

capital will be sold to emoloyees and the government will retain a 7 per cent stake. S.G. Warburg is acting as

adviser to the government on the deal. Morocco's privatisation pro-

gramme was launched in 1993. Although its original aim was to raise \$2.2bn by the end of this year, the process, which was slow to take off, is likely to be extended until at least

BMCE, with assets of \$2.9bn in 1993 and market share of more than 14 per cent in terms of deposits, is already quoted on the Casablanca bourse and has a market capitalisation of

about \$370m, accounting for 8.5 per cent of the market's total capitalisation

Ownership is spread among the state and other public and private financial institutions. including Banque Française du Commerce Exterieur, the specialist banking group, and Germany's Commerzbank.

Analysts have been guarded about the deal. They point out that the bank's profitability has been hampered in the past hy financing of government purchases at preferential rates.

Privatisation, however, should give the hank moro freedom to pursue more profitable ventures.

According to consolidated figures, the hank posted net income of \$18.5m in 1993, slightly down from a year ear-

The structure of the BMCE deal marks a departure from earlier privatisations.

ernment tended first to ask foreign and domestic companies to bid on a portion of the offered equity, typically 35-51

per cent. The aim is to provide a "noyau dur", or hard core, that can bring technological knowhow, management talent and

stability to the enterprise. In this case, bowever, BMCE's noyau dur will be the consortium of Moroccan companies and international banks which will bid for the wbole 26 per cent stake.

At least half the stake should be held by Moroccan companies and a minimum of 5 per cent must be held by one or several foreign banks.

No change of management is envisaged and no single institution, foreign or domestic will exercise control or even have significant influence on the bank's board.

VAR adds clarity to the risk debate

By Rod A. Beckstrom

The debate about derivatives risk which has involved regulators, legislators and markot participants in recent months has proved the old maxim to be correct: "the devil is in the details".

Yet derivatives are not so complex as to defy risk mea-surement techniques and statistical methods used regularly in science and commerce.

DERIVATIVE INSTRUMENTS

There are signs that a method geared to measure this complexity - known as value at risk, or VAR - is winning wider acceptance from the derivatives industry and its regulators

VAR is a method of assessing risk which uses standard statistical techniques employed routinely in many other fields, including physics, chemistry, manufacturing and computer-aided design (CAD).

Its adoption - which seems inevitable - should give the derivatives industry and its regulators an objective and an easy measure of risk.

In the past, the asse of derivatives risk, or even of financial risk in general, has

been hampered by an absence of a universally accepted technique for measuring the loss potential within a particular transaction or across an entire portfolio.

Older means of evaluation. sucb as gap analysis and accounting simulations, are too imprecise to measure trends in today's fast-moving and complex financial markets. and do not meet tougher regulatory and accounting demands.

These older techniques are inadequate in two ways: first, they define instruments as mere line item entries on a balance sheet; second, they value instruments through accrual accounting techniques.

By contrast, VAR provides a more dynamic framework which looks at risk as it evolves over time, rather than providing a static snapshot of a portfolio or balance sheet. In technical terms, VAR

measures the daily statistical variance of the value of an entire portfolio. Once any manager understands the variance, or volatility, of a portfolio, it is possible to estimate the probabillty of different levels of gains or losses occurring. VAR assumes that, on aver-

age, changes in the value of a portfolio are random and can be estimated largely by using

the normal probability distrieasy to estimate the probabil bution function. By employing basic statistics, the estimated standard deviation, or volatility of the market value of the portfolio can be calculated.

VAR takes into account the portfolio's standard deviation, or volatility, a time period, and a "confidence interval". The confidence interval can be defined as the probability of avoiding a loss equal to or greater than the value of risk over the time period.

For example, a portfolio might be worth Slbn. The value at risk of the portfolio may be \$20m overnight with a confidence interval of 5 per cent. This means that with a 5 per cent probability - or a probability of once every 20 days on average - that the portfolio's value will fall by more than \$20m. On all other days, the portfolio will increase in value or suffer a loss of less

than the value at risk. Another way of approaching VAR is to imagine pushing historical prices through a portfotio and then revaluing the portfolio each day. The daily change in the portfolio's value is then computed through time and a time series huilt up.

The standard deviation or volatility, of the time series is then calculated. Once the standard deviation is known, it is

ity of a given loss over the next day or any other time period. Different models from the historic simulation model described above can be used for computing VAR. However, the historic simulation approach is universal and applicable to all instruments and all market price risk fac-tors, whether interest rate, for-

modity-based. VAR, like other approaches to risk measurement, provides only an estimate, but one which is grounded in history and derived from superior

eign exchange, equity or com-

techniques and theory.

The fact that VAR is an estimate does not lessen its value and usefulness any more than similarly informed estimates do in other areas of commerce and science. The beauty of VAR is that it can be expanded beyond portfolio risk evaluation to encompass the whole balance sheet and to measure return on risk for the operations of an entire firm.

VAR's ultimate reward lies in advancing the risk debate about derivatives down a more constructive path.

Mr Beckstrom is chief execu-tive officer of CATS Software Inc. o supplier of software for derivatives finance, based in Palo Alto. California.

Abnormals aid MIM Holdings turnround at interim stage

By Emilia Tagaza in Melbourne

MIM Holdings, the Australian mining group, yesterday announced a net profit of A\$43.4m (US\$31.6m) for the 24 weeks to December 11. This compares with a loss of A\$18.5m in the first six months of the previous year.

A\$19.3m, before tax, contributed to the result. These com-prisad A\$8.3m from the A\$385.5m sale of MIM's 10.8m shares in the US metals group Asarco, and A\$11m from the A\$164.2m sale of its remaining share in Cominco, the Canadian metals group. Sales totalled A\$1.1bn, 11.3

per cent up on the year-earlier A\$996m. The interim dividend was maintained at 2.5 cents. The company said the improved result was due

mainly to higher international prices for hase metals. Partially offsetting this were the stronger Australian dollar, lower coal prices, a A\$12.9m loss at the Duisburg zinc smelter in Germany, and lower production and sales volumes of precious and hase metals

from Mount Isa in Queensland Increases in average Austra-Abnormal profits totalling lian dollar prices were highest for lead, which roso 54 per cent, and copper, up 32 per cent higher. Price declines were reported for gold, by 13 per cent, and coking coal, by 11 The copper operations posted

the strongest performance, generating a profit before tax of A\$93.7m, on sales of A\$381.4m. The company said the result was hampered by production problems at Mount

There were "specific difficulties" with the new Isasmelt ability and performance.

The company the Mount Isa operations. Mr Wright was previously respon-

Alumbrera project.

process, although MIM said a task force had been formed to improve the smelter's avail-Gold operations generated a pre-tax profit of A\$16m. Losses

group (A\$12.6m) and coal operations (A\$6.8m). announced senior executivo appointments, including Mr Phil Wright, who will immediately take up the position of executive general manager of

were posted by the lead-zinc

Mr Peter Freund, who has been responsible for the McArthur River mine development, will become executive general manager in charge of specific development projects.

siblo for the advances in the

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FINANCIAL TIMES

Intel takes \$475m charge for Pentium flaw

By Louise Kehoe in San Francisco

Intel, the world's largest manufacturer of semiconductors, reported record operating results for the fourth quarter, offset by a charge of \$475m, or 70 cents a share, to cover the costs of replacing flawed Pentium microprocessor chips.

Fourth-quarter net income was \$372m, or 86 cents a share after the charge, down 37 per cent from \$594m, or \$1.85, in the fourth quarter of 1993. Rev-

Recovery

By Richard Waters

in New York

yesterday.

continues at

Bank America

After-tax profits rose 11 per cent to \$2.2bn. However, the

bank's return on equity, at 13.2 per cent (up from 12.9 per cent the year before), remains below that of most of the other

super regional banking groups. Mr Richard Rosenberg, chairman, said that the bank had

met its most important finan-

cial objective of the year, to

bolster its earnings per share. These rose to \$5.36, from \$4.79

He said the next goal was to

maintain this momentum while improving the bank's

return on equity.

The 1994 results came on the

back of a 3 per cent rise in

overall revenues, to just over

enues for the quarter were However, a public outcry over cover all associated costs. The and infrastructure for serving \$3.23bn, up 35 per cent from the problem, fuelled by an company also announced that customers." he said \$2.39bn a year ago. Operating results were in

line with Wall Street expectations, but the charge was larger than most analysts had predicted. Intel announced last month that it would replace, upon request. Pentium chips that contained the flaw, which can create errors in division

Intel maintains that such errors are likely to occur only once in every 9bn calculations.

amouncement from IBM that it considered the chip error more serious, forced intel to offer to replace the chips. The offer remains in effect for the lifetime of personal computers containing the chips.

The \$475m charge covers replacement costs, materials and the write-down of the company's inventory of the flawed Pentium microprocessors.

Intel said that it believed the charge would be sufficient to

the flaw had been eliminated from all Pentium chips now being shipped. The rapid transition to the

corrected chip was achieved by cancelling holidays, said Mr Andrew Grove, president and chief executive. "The Pentium processor

divide problem has been a learning experience for Intel. In the end, I think it will strengthen the company by improving our policies

in spite of the negative publicity surrounding the Pentium flaw, unit shipments doubled

compared with the previous

quarter, Intel said. For the full year, Intel revenues totalled \$11.52bn, up 32 per cent from \$8.78bn in 1993. Net income declined slightly to \$2,29bn from \$2,30bn for the previous year, after the fourthquarter charge.

Earnings per share rose to \$5.24 from \$5.20 in 1993.

AMR cuts losses to \$123m in fourth term

sell at half the regular retail brought to its attention, Sam-

By Richard Tomkins In New York

AMR, parent of American Airlines, yesterday reported heavy after-tax losses of \$123m BankAmerica, the second-biggest US banking group, con-tinued to register its steady for its fourth quarter to Decem-ber. It was hit by the suspen-sion of its commuter flights in recovery from the long recesthe northern US and a restructsion in its home base of Calif-ornia as it reported 1994 results uring charge of \$278m. However, the figure marked

an improvement over the comparable period's net losses of \$253m, largely because the fig-ures in the year-ago period

that cost the airline \$190m. AMR said the \$278m special charge, which cost \$174m after tax, related to employee severance and other restructuring activities. In August, it announced a plan to cut annual labour costs by \$750m,

administrative staff. The company suffered the effects of the suspension of its quarter result, said it had con-American Eagle operations at tinued to see good demand in

Samsung had supplied the

components to at least one of

two Chinese government affili-

ated video game "pirate" man-ufacturers, responsible for "massive counterfeiting of

video games", Nintendo said.

Samsung said that it has no

knowledge of any counterfeit use of its chips and that it deplores counterfeiting. It said

on a previous occasion, Nin-

tendo had brought a case of

alleged pirating of video games

to Samsung's attention, and Samsung immediately discon-

tinued its relationship with its

customer. If any futher misuse

of intellectual property is

McDonnell Douglas improves 50%

starting with cuts in its non-

unionised management and

year season. This happened because the airline transferred its ATR commuter aircraft south after the Federal Aviation Administration ordered they should not fly in icy weather, and the pilots of the replacement aircraft demanded extra cold-weather training. AMR, which last October

surprised analysts with an unexpectedly strong third-

sung would take a similar action, the company said.

in Seattle, seeks termination of

illegal production, seizure of all inventories, full informa-

tion on the network and extent

of illegal distribution, monitor-

ing of future production, mone-

tary damages, and other relief. According to the lawsuit, Samsung illicitly manufac-

tured the chips which contain

software for the video game.

The Korean company is the

world leader in the supply of

read-only memory chips, which

are used in a wide variety of

electronic equipment, includ-

The lawsuit, filed yesterday

were hit by a five-day flight Chicago and Raleigh/Durham most markets. It flew 1.2 per attendants' strike in the US over the Christmas and new cent fewer seat miles but filled them with 11.4 per cent more revenue passenger miles, prod-ncing an increase in the load factor factor to 65.5 per cent from 58.1 per cent.

Revenues rose to \$4bn from \$3.59bn and losses per share fell to \$1.70 from \$3.55. For the full year, net losses of \$110m turned into net income of \$228m. Mr Robert Crandall. chairman, said 1994 was a much better year than 1993 but improvement was still needed.

US Nintendo files suit alleging Samsung helped video pirates

By Louise Kehoe In San Francisco

Nintendo of America, the US arm of the leading Japanese video game manufacturer, has filed a suit alleging that Samsung, the Korean chip maker, is supplying memory chips containing Nintendo software to counterfeiters of the Donkey Kong Country video game.

\$11.2bn. Net interest revenue climbed Nintendo charges that hunnearly 7 per cent, to \$7.1bn, on the back of higher interestdreds of thousands of illegal earning assets and lower bad copies of copyrighted video debt provisions. This was off-set by a slight fall in the net games contain Samsung com-ponents. The counterfeit games have been found in Asla, Latin interest margin, which in the final three months of the year America, Europe, the Middle East and the US, Nintendo was 4.53 per cent, some 10 basis points lower than a year said. The illegal copies often

Fourth-quarter net income of \$591m, or \$1.40 a share, was up from \$496m, or \$1.21, a year

Strong sales lift Tandem in first quarter

By Louise Kehoe

Tandem Computers reported an 11 per cent increase in revenues for its first fiscal quarter, ended December 31. It was lifted by strong sales to communications companies and

the financial sector. Revenues for the quarter were \$534.6m, up from \$475.6m in the first quarter of fiscal 1994. Net income rose to \$35.2m. or 80 cents a share. from \$24.9m, or 22 cents in the same period last year when it recorded a gain of \$23m, or about 20 cents a share from the sale of a business unit.

"Our product and marketing programmes bave spurred three quarters of strong growth in our core server business," said Mr James Treybig. president and chief executive. "Our computer product revenues grew 24 per cent com-

pared with the same period last year," he said. Sales to communications companies represented 36 per cent of Tandem's revenues, Mr

Massively parallel computers contributed to strong sales to

\$1.27bn at December 31 1994. By Maggie Urry in New York Record results from military aircraft helped McDonnell Douglas, the aerospace group which appointed a new chief executive last September, to fourth-quarter earnings of \$1.39

a share compared with \$1.21, excluding one-off items, in the same period of 1993. For the full year, earnings were \$5.05 a share, up 50 per cent from \$3.37 in 1993. Net earnings for the fourth quarter were \$165m, compared with \$143m in 1993, and for the year

totalled \$598m, up from \$396m. Strong cash flow also enabled a reduction in debt in the aerospace operations to

from \$1.63bn at the end of 1993, even after a \$85m share buy-back and a \$165m additional tax payment. Group interest charges for 1994 were \$141m. down from \$224m in 1993. The group's firm order book

declined over the year to \$17.5bn from \$19.4bn as demand for commercial aircraft remained soft worldwide. In the fourth quarter the military aircraft division made operating earnings of \$207m, up from \$180m.

The commercial aircraft division continued profitable in spite of lower deliveries in 1994, in part thanks to reduced development costs.

\$12m, up from \$2m in the same quarter, although revenues fell 39 per cent to \$800m. However, earnings from the

This division's earnings were

other two divisions were lower. The missiles, space and electronic systems business made fourth-quarter earnings of \$56m, down from \$78m. Financial services earnings were \$7m, compared with \$22m, in the quarter. The group has recovered

from losses in 1990 but still ranks third in commercial aircraft, after Boeing and Airbus industrie, while military sales were thought to be under threat from cuts in defence

Union Pacific lifts Santa Fe bid

The bid battle for Santa Fe Pacific, one of the biggest US railway companies, reached what could turn out to be its climax when Union Pacific. one of the two rival bidders for the company, again raised its

Union Pacific said it would increase its offer price to \$18.50 in cash for all of Santa Fe's shares, valuing the company at \$3.6bn. The shares would be put into a voting trust pending the authorities' consideration and approval of the bid. The offer represents a con-

was a two-part bid consisting of \$17.50 a share in cash for 57 per cent of Santa Fe's stock and the balance in a stock swap, valuing the company at

about \$3.3bn.

It could also prove more tempting to Santa Fe's shareholders than the most recent offer from Burlington Northern. This put a higher value on Santa Fe - about \$3.8bn - but sharebolders would get only one-third of the sum in cash. They would also have to await regulatory authority approval of the bld before they

A\$92,000,000

State Bank of New South Wales Limited

Medium Term Notes due July 17, 1997

Series No: 2

The Government of the State of New South Wales

siderable improvement over could exchange the other two-Union Pacific's last offer. This thirds of their chares for Burlington stock.

Santa Fe first agreed to a friendly merger with Burling-ton to June in a deal worth \$2.7bn, but a bid battle broke out when Union Pacific countered with a hostile offer. Santa Fe yesterday reported net income of \$46.3m on con-

tinuing operations for its fourth quarter to December, down from \$53.1m in the comparable period. Traffic revenues were up but the company said it had spent \$13.7m, pretax, on its struggle to merge with Burlington Northern.

Earnings at US West

advance 55%

By Tony Jackson

to \$409m

US West opened the full-year results from the Baby Bell regional phone companies with a 55 per cent jump in net earnings to \$409m in the final quarter, helped by the flotation of TeleWest, its UK joint venture. Excluding \$105m on the sbare sale and other one-off profits. quarterly earnings were up 6 per cent at \$284m. Earnings per share were unchanged at 62 cents.

For the year as a whole, sales were up 6 per cent at \$10.95bn and net income up 9 per cent (excluding exceptionals) at \$1.23bn.

Earnings per share, depressed by the issue of new shares, were down 0.4 per cent

in the company's traditional telephooe business in the mid-western US. earnings for the year were np 10 per cent at \$1.12bn on sales up 4 per cent

The number of access lines rose by a record 4 per cent, and total minutes of use rose 9 per cent

In wireless telephony in the US, the company increased its number of subscribers by 61 per cent to 968,000. Last year, US West merged

its cellular business into a joint venture with AirTouch of California, and formed a further cellular alliance with fellow Baby Bells Nynex and Bell Atlantic.

Subscribers to US West's international cellular joint ven-tures in the UK, Hungary, the Czech Republic, Slovakia and Russia almost tripled over the year to 357,000.

The UK mobile phone ven-ture with Cable & Wireless, Mercury One-2-One, "continues to exceed customer growth expectations", the company

TeleWest, the UK joint venture in combined cable and telephony, increased the num-ber of cable subscribers by 42 per cent to 320,000 and its telephone lines by 94 per cent to 271,000.

US West's partner is Tele-Communications Inc (TCI), the largest US cable company.

NEWS DIGEST

Israel clears way for sell-off of chemicals group

Israel yesterday cleared the way for the sale of Israel Chemicals, the highly profitable state owned chemical and fertiliser company, writes Julian Ozanne in Jerusalem.

It added that it was extending bids for a controlling stake in the company, originally

due to close today, to early February.

The move follows reports that Mr Victor Medina, chairman of Israel Chemicals who has been pressing the government for a speedy privatisation, plans to announce his resigna-tion today because of delays in selling the company and after long-running disagree-ments over government policy.

Mr Medina's threat may have encouraged

the government to tackle legislative obstacles to privatisation, which centred on the exemp-tion of the Dead Sea Works, a subsidiary of the company, from environmental and planning regulations around the Dead Sea. The government said yesterday it had worked out a com-promise under which Dead Sea Works will only have to abide by some of the regulations.

The extension of the bid deadline for 15 per cent to 24.9 per cent of the company, was partly to allow management to complete wage negotiations.

At least five groups are competing to buy a controlling stake in the company including GAF Corp of US; Koor Industries; Israel Corp. owned by Mr Shaul Eisenberg, and US entre

preneur Mr Ted Aronson. After the private placement of the control-ling stake the government will sell a further 22 to 32 per cent by global public offering bringing the government's stake down from 75 per cent to its goal of 28 per cent. The government is expected to raise \$1.3bn from the two sales.

Sysco profits advance 14% in second quarter

Share price (5) Source: FT Greetite

yesterday reported a 14 per cent increase in net income to \$63.5m in its second quarter to December, writes Richard Tomkins. Sales surged by 13 per cent to \$3bn and earnings per share rose 17 per cent to 35 cents. Sysco distributes food to restaurants, hotels, schools and other places

Sysco, the higgest US food service company,

where people eat away from home. Efficiencies in procurement and distribution resulting from its size have enabled it to take a greater share of an expanding market, producing 18 uninterrupted years of growth in earn-

ings per share.

Mr Bill Lindig, the company's recentlyappointed chief executive, said that after excluding the modest effects of food price inflation of 1.5 per cent for the quarter, real growth in sales exceeded 11 per cent. The gains were broad-based across the US, he said. Mr Lindig was also optimistic about the out-look for the second half of its fiscal year,

Dresdner Bank to open two Vietnam offices

Dresdner Bank of Germany is stepping up its presence in south-east Asia by opening up two representative offices in Vietnam, writes Judy

Dempsey in Bonn.
The offices, in Hanoi and Ho Chi Minh city, will be targeted at the growing number of German enterprises seeking contracts, particularly in infrastructure projects, as well enabling the bank to tap into the local econ-

The move coincides with, but is independent from a recent agreement between Hanoi and Bonn to resume export credit guarantees and a

development aid programme.

Both were suspended after Hanoi refused for several years to take back the 40,000 or so Vietnamese refugees living in Germany.

Dresdner has branches in Beijing and Shanghai, and has branches or representative offices

in 13 countries in south-east Asia. The bank said yesterday that Dresdner could not afford to ignore the changes taking place in Vietnam which offered great opportunities.

Travelers ahead at \$1.3bn for year

Travelers, the US financial services group created at the end of 1993 when Primerica bought the outstanding shares of the Travelers insurance company it did not already own, reported

after-tax profits for last year of \$1.360 on reve nues of \$18.5hn, writes Richard Westers. This compares with net income for 1993 of 5916m on

revenues of \$6.8bn.

However, the earlier year's figures do not consolidate all of the old Travelers business, and only include the Shearson retail broking husiness from when it was acquired by Travelers five months before the year end.

Travelers' latest results reflect the difficult earnings environment for stockbrokers last year. Smith Barney, its broking subsidiary, saw its cernings halve in the latest quarter, in \$72.2m, on lower commissions and investment banking revenues (full-year comparisons for Smith Barney were not meaningful because of

the Shearson purchase). The latest figures were struck after an \$87.8m charge to cover losses in Travelers' investment portfolio. This was exactly matched by \$87.8m gains from the sale of various subsidiaries.

For the fourth quarter, earnings per share were 93 cents, down from \$1.19 in the year-ago period, reflecting the higher number of shares in issue to pay for the Travelers acquisition. Full-year earnings per share were \$8.86, up

ING buys 5% stake in Krakow-based bank

Milia

Mich 31

150 1

International Nederlanden Bank (ING) has bought a 5.8 per cent stake in Krakow-based bank Przemysłowo Handlowy (RPH) which is being privatised, writes Christopher Bobinski in Warsaw. The Dutch bank already has a 28.5 per cent share in Poland's Bank Slaski.

The purchase, worth \$16m, was made through an initial public offer which closed last week and which also saw the Bank Slaski buying a 4.8 per cent share in BPH. Another 2.5 per cent of BPH stock was taken up by the listed Wielkopolski Bank Kredylowy

(WBK) in which the Allied Irish Bank Group has said it intended to take a strategic stake.

All three of the Polish banks involved are among the country's largest and wars hived off from the central bank in 1988. The banks' share purchases helped salvage

the banks share purchases happer savegethe offer which appears to have attracted scent interest from domestic investors.

However, a promise by the European Bank for Reconstruction and Development to buy 15 per cent of the equity and Daiwa Europe airanging for four investment hands fit takes up a further 4.9 per cent has meant the government has succeeded in placing the 50.2 per cent of the BPH shares put on sale.

BP to sell US-based Carborundum unit

British Petroleum is selling its US-based Carborundum subsidiary, pert of BP Chemicals.
The company, which has worldwide sales of \$340m and \$500 employees, claims to be a market leader in heat-resistant materials such as refractory furnace linings, writes Tony

Mr Luiz Kahl, Carborundum chief executive, is working on a management buy-out and has conflict of interest. BP said it had received several other offers, and expected to announce the successful bidder in early February. BP said it had decided to sell Curborindum

last September after conducting a study to determine its value and to review the alternabid values was given.

Commercial Union gives Victoire price

Commercial Union, the UK's largest insurance company, yesterday announced a final price of FFr11.9bn (\$2.2bn) for Victoire, the French insurance company it acquired last year. writes Andrew Jack.

The payment is lower than the FFrI2.3bu originally indicated last October, reflecting the deteriorating performance of the financial markets, to which the final valuation was

The price covers CU's acquisition of the 99.46 per cent of the shares in Victoire, now known as Commercial Union France, which were held by Compagnie de Suez. CU will make a public offer for the remain-

ing 0.54 per cent of the Victoire shares held by other shareholders in the next few days followreflecting the price paid to Suez and and inter-

est charge on the shares since the time of the

CU said the final price for Victoire reflected poorer financial performance in the value of net assets for the six months to June 30 last year, partly offset by slightly higher than expected profits for the period.

U.S. \$100,000,000

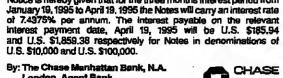
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By: The Chase Manhattan Bank, N.A. London, Agent Bank





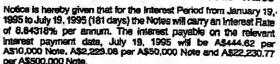






Floating Rate Notes Due 1997

Union Bank of Switzerland
London Branch Agent Bank 16th January, 1995



CHASE

To the Holders of Stichting Restructured Obligations Backed by Senior Assets 2 (ROSA2)

Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hareby given that for the Interest Accrual Period January 17, 1995 through April 16, 1995, the rates applicable to the Secured Sentor Poeting Pate Notes and Secured Service Subordinated Floating Pates Notes are 5-900%, and 7-5000% respectively.

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Registered in England & Wales Principal Plate of Boumes; Unit 2, Goldificate Indountal Estate Goldificate, Rotherhaut, Sci 981.

Goldshope, Rotherhaus, Sci 982.

NOTICE IS REREBY OTVEN, pursuant to Section 48 (2) of the Issolvency Act 1996, that a growing of the associated creations of the above-seamed company will be held at Qualar Meeting House, St James Street, Sheeffeld 51 22W on 24 Issueury 1993 at 11,00m. Creditors whose claims are wholly secured are set enthicle to stream of the represented in the meeting. Other creditors are only consider to work if:

(a) they have delivered to us at the address shows below, by the later that moon no 25 Jamesty 1995, written details of the debts they claim to be due to them hous the company, and the mission be showned to the first hous the company, and the mission has been fully admitted under the provisions of Rade 3.11 of the hoolweave, Rades 1996, and

to 19 April 1995. interest payable on 19 April 1995 will amount to US\$160.94 per US\$10,000 note and provisions of Rule 3.11 of the brookwarey Rules 1986; and (b) there has been ledged with us any proxy which the creditor breads to be used on his or her behalf. **JPMorgan** nor tennat.

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US\$804.69 per US\$50,000 note. Agent: Morgan Guaranty

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Floating rate subordinated

The notes will bear interest at

interest period 19 January 199:

6.4375% per annum for the

US\$100,000,000

notes due July 1997

U.S. \$300,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due 2000 6.6875% per annum Interest Rate

Interest Period Interest Amount per

19th January 1995 19th July 1995 U.S. \$10,000 Note due U.S. \$336.23



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(with the right to subordinate)

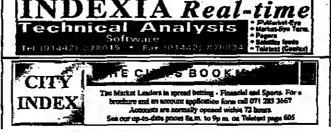
Notice is hereby given that the interest payable on the relevant interest Paymont Date, February 16, 1995 for the period August 16, 1994 to February 16, 1995 against Coupon No. 19 in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$157.63 and in respect of U.S.\$250,000 nominal of the Nooss will be U.S.\$7,881.50.

Joneory 19, 1995, Landon By: Citibank, N.A. (Issuer Services).Agent Bank CITIBANCO

per A\$500,000 Note.

ECU 200,000,000 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 18th April. 1995. has been fixed at 7.1875% per annum. The interest acroning for such three month period will be ECU 179.6.88 per ECU 100.000 Bearer Note, on 18th April. 1995, against presentation of April, 1995, against presentation of Coupon No. 12.

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COMPANY NEWS: UK

Stock Exchange says disclosure standards may need to be changed

SBC cleared of rules breach

By David Wighton

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The London Stock Exchange yesterday cleared Swiss Bank Corporation, adviser to Trafalgar House, of any breach of its rules in controversial deriva-tives dealings ahead of Trafalgar's £1.2bn (\$1.87bn) bid for Northern Electric, the regional power distributor.

However, the exchange said some rula changes might be required to cope with the increasing use of derivatives in

The Northern camp attacked the exchange's statement last night. One adviser said: "The Stock Exchange appears to have taken a very narrow view

The exchange would not comment on whether it had sent details of the case to the

Copyright

buys rest of

Dutch arm

Mr Rodolfo Bogni, SBC's London chief executive, said last night that he had oot been notified and had no reason to believed that details had been passed to the DTL

The investigation stemmed from controversial derivatives contracts struck between Swiss Bank and Trafalgar ahead of the Northern bid. These "coo-tracts for diffarences" will yield Trafalgar an £8m profit, thanks to the subsequent rise in the Northern share price, without it having to huy Northern shares itself.

After accepting the con-tracts, Swiss Bank increased its stakes in Northern to 3.46 per cent and in Yorkshire Elec-

Industry, the prosecuting authority for breaches of the insider dealing regulations.

Mr Rodolfo Particular and tricity to 8.2 per cent. But it the public interest did not reveal them, on the grounds that they were market making positions. grounds that they were market review of the information exempt from disclosure is satisfied that there are no requirements.

Leading City institutions have called for a review of the rules governing the disclosure of share stakes held by market makers, because the definition of market making seems so

The statement said: "The exchange intends to consult member firms and other parties as to whether further rules need to be introduced concerning the impact of the use of derivatives or derivative-related products on the London Stock Exchange's equity mar-kets. In particular, it will he examining whether additional disclosures need to be made in

lt added: "On the basis of the available to date, the exchange reasonable grounds for action

dealings." The Securities and Futures Authority said it was continuing its inquiries into Swiss Bank's Chinese walls - which separate its corporate finance

within its own area of regula-

tory responsibility in respect of

any of the above-mentioned

and market making arms. Swiss Bank said: "We are grateful to the exchange for the speedy and unusual step of issuing a statement on a matter on which misinformatioo might otherwise have pre-cluded the orderly conduct of legitimate financial and trading activities."

NEWS DIGEST

falls but sees growth

Copyright Promotions Group, which came to the market in August, is acquiring the remaining 50 per cent stake in European Licensing Group, its lossmaking European licen-

sing joint venture. Copyright, best known for handling the marketing rights to cartoon characters such as the Flintstones, Mr Men and Thunderbirds, also reported a fall in pre-tax profits to £305,000 (\$475,800) against £443,000 for the six months to until the second half.

ELG, based in Amsterdam, is jointly owned by Agentur für Urhebernebenrechte Merchandising Müncheo (MM), part of Kirch Gruppe, the German media and publishing group. Following completion, ELG headquarters will be moved to Copyright's London

Copyright is paying a nominal F11 for the stake and MM has agreed to assign F16.11m (\$3.55m) owed by ELG to MM. to Copyright for another guil-der. MM has agreed, subject to certain terms, to pay ELG F1695,000 in cash in connection with its exit from the

per Note of US\$ 10,000.

SelecTV

SelecTV, the independent television production company, reported pre-tax profits down from £614,000 to £517,000 (\$807,000) for the six months to

September 30. The USM-quoted company, whose programmes include Birds of a Feather and Lovejoy. both broadcast on BBC, said production activities continued at a high level however deliveries would not take place

The many awards for Tracey Ullman Takes on New York had prompted Home Box Office, the US cable channel, to order a series to be produced later this year.

SelecTV said its 15 per cent stake in Meridian Broadcasting, the independent television contractor for the south and south east of England, continned to make progress and would be belped by the improv-

Hamleys trading

Hamleys, the toyshop, said yesterday that strong Christmas trading had culminated in its store in Regent Street, London, breaking its record for a single day's trading.

The company, which floated in May, said that strong sales had continued since the July midterm stage. Up to the start of the Christmas period sales were 8.8 per cent ahead of last year. In December sales were 17 per cent ahead and margins were maintained.

With the contribution from its 24 recently introduced concessions in department stores. total turnover for the five months was 30.4 per cent ahead. The shares yesterday gained 5p to 192p. The flotation price was 185p.

Salvesen expands

Christian Salvesen, the distrihution and specialist hire company, has acquired a 40 per cent stake in Wohlfarth Group, a Lep subsidiary which provides logistics services to German industry.

Salvesen's initial investment is DM5m (\$3.2m) and it has an option to increase its holding to 100 per cent between 1996 and 2001. Depending on when the option is exercised the total

consideration, including shareholder loan redemption, will be between DMIL8m and DM60m. The stake will he held through Wohlfarth Swift Holding, a new company in which the senior management and employees of Wohlfarth will have a 20 per cent interest and Candover investments and various funds managed by the Candover Group will hold 40

per cent. Wohlfarth made pre-tax profits of £1.7m on turnover of £85.6m in 1993.

Cobham disposal Cobham has sold Markhorst

Groep, its lossmaking Dutch subsidiary, for Fl 3.5m (\$2m). The sale of the pulp processing machinery manufacturer, which supplied the food and packaging industries, means Cohham will take an excep-tional charge of £1.7m in its 1994 results, to which will be added goodwill of £1.3m previ-

GPG disposal

ously written off.

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, has disposed of First Medical Corporation

The New Zealand-based medical insurance company has been sold to Aetna Health for NZ\$11m (US\$7m). The proceeds will be used for working capl-

MedicAid incurred a net loss of NZ\$598,000 on oet assets of NZ\$2.99m in the year to May 31

First Leisure dances to £37.5m

By David Blackwell

Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per

The group, which has interests in 10-pin bowling, tourist attractions and bingo, also announced that Mr Michael Grade, chief executive of Channel 4, is to become its oon-executive chairman. Lord Rayne, 76, one of the founders of the groop and chairman since 1992, is to retire on March 14.

Pre-tax profits in the year to October 31 were £37.5m. (\$59m) including £1.5m from asset disposals, on total turnover of £141.8m. The discotheque division was the hig-gest contributor, with operating profits 23 per cent ahead at £17.3m on sales up 13 per cent to £50.1m. In the previous year, group profits were £30.7m oo sales of £121.8m.

The groop, which has 36 dis-cotheques, is UK market leader, Mr John Conlan, chief executive, claims.

Operating profits from resorts rose from £11m to £12.9m oo sales of £45.7m (£41.9m).

The sports division's operating profits fell from £13.7m to £11.2m, although sales grew from £32.1m to £36.2m.

The group sees health and fitness as a key area for expansion, along with hingo. The hingo division's turnover trebled to £9.8m, giving operat-ing profits of £2.8m (£900,000).

COMMENT

First Leisure is in a strong position to expand, with gearing at just 16 per cent and interest cover of 16 times. Forecast profits of £41m and earnings of 18p for this year give a prospective multiple of almost 16, which looks high. However, the real benefits of the latest plans are unlikely to come through stroogly for three or four years - so investors who accept that the targeted areas are ripe for growth should not be too hidebound

LEX COMMENTS

Derivative loophole

The London Stock Exchange yesterday Kingfisher produced a confusing statement about Swiss Bank Corporation's controversial dealings in electricity securities. The exchange's statement clearing SBC of breaching rules for which it has responsibility addresses only part of the cootroversy. Few thought the rules requiring disclosure of stakes of over 3 per ceot had been broken. Market maker privileges exempted SBC from revealing its 8 per cent stake in Yorkshire Electricity. It is some comfort that the exchange will oow review this exemption, though investors will out be satisfied until the rules are actually changed.

The higger question is whether SBC breached insider dealing rules in signing an innovative derivatives contract with Trafalgar House prior to its Northern Electric bid. SBC claims its corporate finance arm, which signed the contract, did not encourage its marketmaking arm to buy electricity shares to hedge the bank's position. That may be so, but the matter clearly needs thorough investigation. If there was oo wrongdoing, the loopbole SBC has found must be closed. Otherwise, any company possessing price-sensitive information about its own plans could profit from it by signing derivatives contracts with its corporate advisers which could theo offload the risk. The exchange may not be responsible for prosecuting insider dealing, but it will have let investors down if it has not passed its SBC file to the Department of Trade and Industry. Yesterday's statement provides no guarantee that

Kingfisher

Those who hoped that yesterday's trading statement from Kingfisher would be a foul up free zone were disappointed. The glimmers of good oews at Darty, B & Q and Superdrug were as oothing compared to the dire develop-ments at Comet and Woolworths. Comet's fall into losses and the predicted

ooe-third drop in Woolworths' profits provide

Share orice relative to the FT-SE-A All-Share Index

uncomfortable evidence that Kingfisher is not rising to the operating and strategic challenges faced by these core businesses. They are being ripped apart by competition on all sides, and the management does not appear able to put things right. Nowbere is that more evident than at Woolworths, which stumbled in Christmas 1993 and fell flat on its face again this time round. The latest problem is not overstocking, but malfunctioning computer systems, poor product mix and rising overheads: a combination which seems to owe as much to management as to teething problems with computers. The likely £150m provisions to cover restructuring and expansion at B&Q may be an attempt to wipe the slate clean leaving room for the financial record to improve from next year.

The sharp drop in the share price yesterday, after a year in which Kingfisher was the worst performing FT-SE 100 index constituent, shows investors in an unforgiving frame of mind. A change of sentimeot is unlikely before the group unveils details of accelerated restructuring plans for Comet and Woolworths in March. Even then, the management may not quickly be given the benefit of the doubt.

Photo-Me slips 4% to £10m

Shares in Photo-Me international tumbled 29p to 234p yesterday as the world's largest photo-booth manufacturer and operator announced a 4 per cent profits decline in the six months to October 31.

Mr David Miller, group man-aging director, said. "I confidently expect the second half to be better than last year's", although he drew attention to competition in the market.

He ascribed the profits fall by £430,000 to £10m (\$15.6m) pre-tax - to a three-month hia-tus in the installation of the new PhotoVision machines, which are replacing the old PMI models, After last January's merger with KIS of France, a photo-booth manufacturer, PMI had expected to have 400 or more installed in the half, but technical improvemeets required by PMI and software problems halted the replacement programme.

Other reasons for the expec-ted second half improvement included merger beoefits and price increases.

A lossmaking company in New Zealand was sold and there were two other subsiddealt with. Turnover io the half rose 6 per cent to £96.3m. Operating revenues from worldwide operations and manufacturing sales of about £23m mainly geoerated by KIS -rose by similar proportions, Almost £100m of the group's

annual sales come from three markets - the UK, contineotal Europe and Japan.

Mr Miller was keep to exploit the expected growing demand for "need" pictures in former eastern bloc countries. "For example, they are now citizens of Georgia, oot the USSR, and documents will bave to be

BARINGS B.V.

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In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from January 19, 1995 to July 19, 1995 the Notes will carry an Interest Rate of 6.9125 %

The Interest Amount payable on the relevant Interest Payment Date, July 19, 1995 against coupon No. 19 will be US\$ 342 52



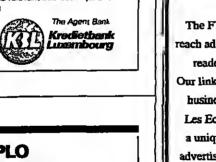
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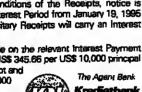
The Interest Amount payable on the relevant Interest Payment Date, July 19, 1995 will be US\$ 345.66 per US\$ 10,000 principal amount of Depositary Receipt and US\$ 8,641.49 per US\$ 250,000



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Agent Bank Bank of America International Limited

The Financial Times plans to publish a survey on on Thursday, February 9th

The Survey will review the Taxation System worldwide and examine the challenges it will face in 1995 and the implications for the international business community. The Survey will reach an estimated international

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> > FT Surveys

"Eureka". The solution to the puzzle on page 14.

Arriving at the solutions to complex problems: the secret of Kleinwort Benson's success in financial services.

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COMPANY NEWS: UK

Blenheim hit by US and French trading

500 .

By Geoff Dyer

Shares in Blenheim Group fell 15 per cent yesterday after tha exhibitions organiser announced a £4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. The shares initially dropped 59p to 175p, but later firmed to 199p, down 35p on the day. They are now a third

of their March 1993 price. The announcement followed a profit warning in September and two separate downgrades by house broker Barclays de Zoete Wedd in 1993.

Pre-tax profits for 1994 are believed to be just above £30m. against £45.2m previously. Analysts had been expecting between £33.5m and £38m. Mr- Christopher Crowcroft, finance director, said the

French operation, which con-

of turnover, would not recover Twanty people were made redundant in the autumn and a

further 30 redundancies are planned, resulting in a charge of £1.75m. Mr Crowcroft said the US tributes more than 40 per cent business had become "too

£750,000 will be taken this year, although details have not been finalised. Revenues from networking technology exhibi-tions in Dallas and Boston were also sharply lower. The main factor was the withdrawal of sponsorship by Novell, the leading supplier of software for computer networks. Mr Crowcroft said the divi-

dend would be maintained for

1994. In 1993 a total of 10.25p

unwieldy and unresponsive". A

restructuring charge of

• COMMENT

BZW has reduced its forecast for 1995 pre-tax profits from £40m to £34m, at a prospective p/e of 11. Blenheim hopes it has now put a floor under its price. But these additional worries will in fact create a ceiling until the market is confident all the bad news is out of the

Austria's Stega drops listing plan

By Tim Burt

Stega Pharmaceuticals, the Austrian biotechnology company, has ahandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolution-

Proceeds from the float had been earmarked for clinical trials of its cytokine-releasing agent, designed to treat herpes and chronic skin disorders by

stimulating the immune

Although Stega said preliminary tests had shown that its vaccine was 10 times more effective than existing immune system stimulants, its findings were greeted with scepticism by pharmaceutical experts. Their reservations may have deterred financial institutions from supporting the listing. The company said it had withdrawn tha offer of 1.9m

gone shead, the issue would have valued Stega at £14.4m (\$22.5m) and raised £6.7m to invest in clinical trials. But it failed to raise the £5.5m minimum needed to proceed. Stega is expected to seek pri-

shares at 400p after a number of institutions, particularly in

mainland Europe, responded

coolly to its claims. Had it

vate capital to fund further development of its cytokine

Comet and Woolworths curb Kingfisher

Roderick Oram on why analysts have downgraded profit forecasts for the retailer

he Christmas Eve clam-our at Woolworths' Berwick-upon-Tweed store would have reassured any wavering retailer that Christmas had come at last, albeit

"The manager was stripped to the waist, hauling stuff out of the stock room and customers were queueing 10 deep at the counters," recalls Mr Alan Smith, chief executive of Kingfisher, Woolworths' parent.

"When you get it right, the power of that 800-store chain is amazing. But we've got to hit the button more often."

That is easier said than done, analysts suggested yesterday as they sharply down-graded profit forecasts to about 280m for the year to January 31 against £309m last year. One analyst was downgrading Kingfisher's profits for the fourth time in 12 months. Its

shares fell 19p to 402p. In addition to poor trading at Woolworths and at Comet, the electrical retailer, Kingfisher said it might take a year-end charge of up to £100m to rationalise and reposition the two chains.

"The catalogue of excuses for Woolworths' performance doesn't add up to a full explanation," said Mr John Richards of NatWest Securities.

"The stock market has taken a long time to realise Kingfisher is in too many mature businesses in too many mature markets," adds Mr Nick Bubb of Morgan Stanley. "Management has spoken plausibly about strategy before, but that is no substitute for effective Kingfisher Sales (annual % changes) 400 Darty Woolworths

systems skills are below aver-

The problems showed up vividly at Woolworths and Comet in the latest sales figures. Comet's fell a dramatic 10.6 per 1994 in some areas it tried to hold prices to enhance margins and help pay for better customer service. It found the competitive pressure too

how to get back into personal computer retailing, a notori-ously volatile and slim-profit business. Its rival, Dixons, has which it has focused in its PC

'Selling low-ticket items in the high street is potentially disastrous unless you can add value or fashion'

cent in the 23 weeks to January 7 on a like-for-like basis (excluding new stores). Woolworths' were ahead by 1.8 per cent, but operating difficulties

left trading profits lower. Comet is suffering from intensifying competition thanks to the electrical sector's rapid expansion of selling space. Its customers know it as

a discounter, yet for part of

old policy. Meanwhile, customers were confused and sales volumes fell, according to one analyst.

Management will not be drawn on its full plans for Comet, but says it has found ways in some stores to improve its merchandising and service. These techniques will be spread throughout the chain. In addition, it is studying

Overall, though, Comet is burdened with too many first

generation out-of-town stores, which now look poorly sited or in need of refurbishment. Closure is the only option for some, and analysts expect Kingfisher to accelerate that programme. Up to 50 of the 200plus chain might be axed, some

Woodworths has put its distribution problems behind it over the past two months, but overall it still needs to improve its systems, acknowledges Mr Smith, who was brought in from Marks and Spencer almost two years ago in part for such skills. "We're catching up at Woolworths," he said Meanwhile, the long term

strategic questions remain unanswered. The prime one is product mix. Many categories in its relatively narrow range such as toys, confectionery, music and videos - have formi dable competitors in the likes of Toys R Us. Argos and the food retailers. Others it is considering, such as newspapers and magazines, are similarly

"Selling low-ticket items in the high street is potentially disastrous unless you can add value or fashion, one analyst

Management said yesterday that solutions to these and other issues would be unveiled in restructuring plans for the two divisions accompanying the year-end figures in March. Analysts welcomed the promise of a clearer strategic direction and tighter operational grip, but they pointed out that the group has wrestled with many of these prob-

lems for several years.

This may be this management's last chance to put it right," one suggested.
"We have a record of giving

shareholders value," Sir Geoff rey Mulcahy, Kingfisher's chairman, said yesterday. We'll get back on track with

Hammerson sells property in Calgary

By Simon London, Property Correspondent

Hammerson, the property company headed by Mr Ron Spinney, yesterday completed its sixth substantial deal since last summer, selling more than 1m sq ft of offices in Calgary, Alberta.

Hammerson will receive C\$136.5m (US\$97m) from Omers Realty Corporation, the property arm of the province of Ontario pension scheme, for the four office blocks and retail space which make up the

Bow Valley Square development. Bow Valley Square was built by Ham-merson between 1989 and 1981 when Cal-

gary's economy was boosted by the oil industry. However, the end of the regional oil boom in the 1980s resulted in a fall in

demand for office space. Although the 1.3m sq ft of offices are 85 per cent let, rents are far below those achieved during the late 1970s.

Hammerson said the deal had been struck close to the valuation at December 30 1993. While this year's valuation is being finalised. Hammarson does not expect a big profit or loss on the disposal. Mr Spinney, the chief executive, said that the deal was consistent with the stratagy of increasing the retail content of Hammerson's North American property

pertfelie. In July, the company paid £70m for two large shopping centres in Ontario.
Including this acquisition, Hammerson has spent \$225m on acquisitions - including option commitments - and sold buildings worth £313m in the past six months. Capital Properties Partnership, a joint venture between Capital & Regional Properties and Real Ventures Property Partner-

Union, the insurance company, for \$25.3m. The sale of the mixed office and retail portfolio is part of Norwich Union's restructuring of its property portfolio. The proceeds would be reinvested in property, it said.

ship, is buying 31 properties from Norwich

seles Hunter 6 miles to Nov 30 (1.28L (443) (30.7 (0.74 (4.94 (5.01 (10.4 6 mins to Sept 30 8 mins to Oct 31 Copyright Promos Yr to Oct 31 141.8 Yr to Sept 30 25.5 Yr to Oct 25 32.4 London Clydeside 5 Lán Scottish Bank Yr to Sept 30 6 mates to Oct 31 Yr to Sept 30 6 miles to Sept 30 6 miles to Sept 30 (0.09 Investment Trusts 6 mitte to Dec 31 254.5 1.32 1.4 (D.83) 4.28 2# 2.5 21 100.5

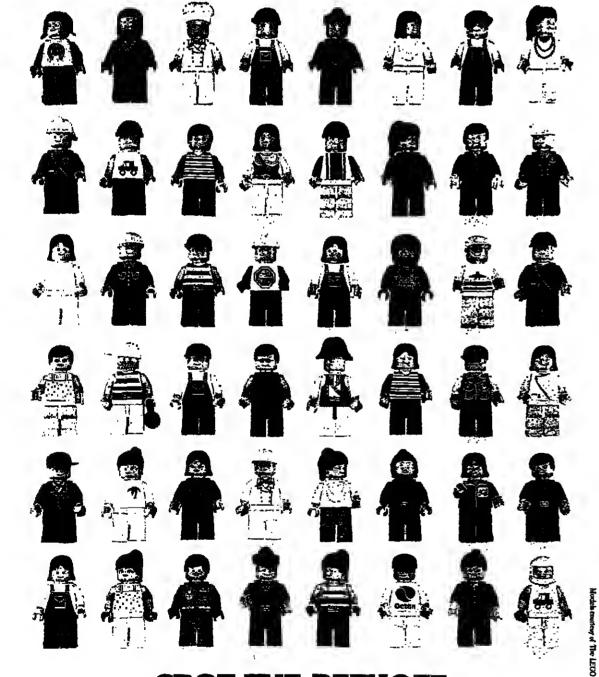
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It also includes an international list, covering the top 100 companies in the US and Japan.

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There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you

and me. Except for one thing.

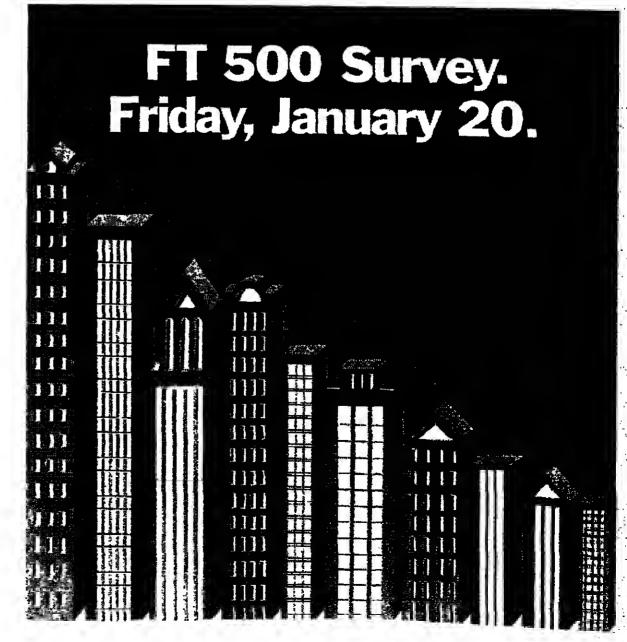
Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing,

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees

around the world. **UNHCR Public Information** P.O. Box 2500 1211 Geneva 2, Switzerland



COMMODITIES AND AGRICULTURE

Way cleared for Siberia's giant gold development

By Kenneth Gooding, Mining Correspondent

As a survey of the law year

The way is now clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, according to Mr Michael Bates, new chief executive of Star Mining Corporation, the small Australian company that has 34.9 per cent of the venture.

After six years of sometimes difficult negotiations, beense and secrecy agreements were signed last month which "in terms of Russian law gives us as clean and enforceable deal as it is possible to get," he said.

If all went well, a feasibility study should be completed by June, and construction of a conventional, hard rock, open pit mine would begin at the end of 1996. Mr Bates said he guessed production would be phased in with initial annual output of 300,000 troy ounces in 1998 rising to more than 2m

after about 2,002 Cash costs would be among the lowest in the industry, no more than \$180 an ounce, despite the difficulties of mining in Siberia. The Lena gold fields, which contain Sukhoi Log - with its reserves of 50m ounces and resources of 100m and several other substantial gold deposits, are in the

Bodaibo region of Russia's

size of England.

The joint venture company, Lenzoloto Mining (LenaGold), in which the Russian government, with 38 per cent, and its 9,600 employees, with 17 per cent, are shareholders, owns the development and mining rights to an area of 105,000 square kilometres, about the

Star is obliged to provide the project with US\$250m in the next 18 months and already has paid \$25m of this. Mr Bates said in London yesterday Star would seek more capital from international investors after the feasibility study was ready. Star, at present quoted in Australia, would look for listings in London and New York and, possibly, Toronto.

There was also the possibil-ity that LenaGold itself might be floated in London and on Russian stock exchanges "to release its full value for the

Mr Bates refused to give an estimate of the total cost of developing Sukhoi Log but analysts suggested it would be about \$600m.

Mr Bates, a 49-year-old Englishman, was recruited by Star last October from Lac Minerals, the Canadian group recently taken over by Barrick Gold (formerly American Barrick). Previously he spant

world's biggest mining company, first with its Rossing

and later with Kennecott'e gold operations in the US. While Sukhol Log is being developed, the joint venture will have cash flow from allnvial (surface, free gold) mining which has taken place for 148 years and produced at least 30m ounces of gold - making LenaGold one of the biggest

uranium subsidiary in Namibia

LenaGold would see "a small profit" from these operations in 1995, according to its business plan, and would produce about 220,000 ounces attributable to the joint venture this year, rising to 300,000

gold producers in the history

of the world industry.

During 1995 infrastructure would be transferred from LenaGold to the Irkutsk authorities, non-core businesses would be privatised and a bonus incentive scheme introduced, said Mr Bates.

Nearly half of Star's shares are held by the founders, who include Mr Ian MacNee, the Australian entrepreneur whose persistence finally won the joint venture agreement. Other big bolders include Mercury Asset Management, 10 per cent, and ANZ Nominees, 7.6

Bullion price rally continues

By Our Commodities Staff

The gold price continued its recent rally yesterday, closing in London at \$383 a troy ounce, up \$3 on the day and \$11.20 above the \$1/4-month low reached at the beginning of last week.

Dealers thought the market could be poised for further gains. After an afternoon fixing at \$382.60 an ounce one dealer told the Renters news agency: "If we can end the day above \$383 then I think a test of \$385 will be mounted in the near future and if that should break then \$390 could be

reached very quickly."
"I think this morning's
move was sparked off by one [investment] fund, with the professionals amongst others quickly jumping on the band-wagon," he added.

Another trader said sentiment was influenced by signs of inflation in the US economy The silver market was also steadier. The cash price ended above its recent resistance level at at \$4.91% an ounce, np

4 cents on the day. Platinum followed gold's rally but continued to find resistance between \$420 and \$422 an ounce hard to break. It closed \$6.25 higher at \$421, a level last seen at the end of

North Sea oil output scales fresh heights

By Karen Fossii in Oslo

Last year was a time of mixed fortunes for North West Europe's oil and gas industry, but North Sea crude oil/natural gas liquids production scaled new beights. The total rose 18 per cent to a record daily average of 5.31m barrels, according to a report soon to be publisbed by Edinburgh-based energy analyst Wood Mac-

North Sea hydrocarbon production, including gas, advanced nearly 15 per cent to 7.44m b/d, also a record.

WoodMac said there was considerable unrest among oil cent in 1993 as the discovery

ensing regimes of some North Sea producing countries which, combined with a \$1.09 per barrel slump in the average Brent oil price to \$15.97 a barrel, perpetuated a sharp decline in exploration activity.

The analyst noted, bowever that although exploration fell to its lowest level since 1968, the success rate was up substantially on previous years. Just 33 North Sea exploration/ appraisal wells were completed in 1994, excluding the UK, 13 fewer than in 1993.

In Norway, the success rate rose to 40 per cent from 15 per oil equivalent per exploration well. The success rate in the Netherlands shot up to 60 per cent from 23 per cent.

Norway saw the number of exploration/appraisal wells drilled fall by 8 per cent and the Netherlands by 57 per cent, while activity in Ireland and Denmark continued at low lev-

The number and volume of recoverable reserves upgrades for existing fields, excluding the UK, was relatively low compared with 1993, WoodMac

Corporate activity was lively in 1994 with a number of key WoodMac estimates.

would not oppose a General

companies about fiscal and lic- rate increased to 42m barrels of deals completed in both the Netherlands and Norway and several smaller ones in Denmark, France, Germany and Ireland.

Excluding the UK, North Sea oil/NGL production last year set a new record of 2.92m b/d, representing a rise of 13 per cent. The Netherlands led the rate of increase with production up 89 per cent to 58,000 b/d while Norway set a new record at 2.67m b/d, 12 per cent up on

Oil/NGL output from the UK sector rose to 2.4m b/d, which was 25 per cent higher than in 1993, according to preliminary

Caribbeans protest at US banana offensive

Caribbean banana exporters to Europe have protested at the US plan to retaliate against the European Union's banana import regime because it discriminates against US produc-

They fear that the EU could be forced to change its import arrangement, reducing the region's preferential access for

Dominica and St Lucia, two of the leading producers in the Windward Islands, which supply most of the bananas consumed in Britain, have sent letters to the US government condemning the decision of Mr Mickey Kantor, the US trade representative, to invite retaliation against European prod-

Dame Eugenia Charles, the

prime minister of Dominica. fears the EU may try to appease the Americans by reexamining the controversial 18 month old arrangement. "If they do, it means that we will suffer because if the EU enlarges the banana import quotas of the US companies, our quotas will get smaller," sbe says.

"We have to fight very hard to get the Americans to live up to the undertaking which they gave us during the summit of the Americas last month." Mr George Mallet, St Lucia's

trade minister, says his government is "baffled" and "extremely disturbed" by the position taken by the US trade representative.

Caribbean producers bave been surprised at the latest US action, following Washington's statement last month that it commenced its deliberations.

Agreement on Tariffs and Trade waiver of the Lomé Convention, the trade treaty that allows preferential treatment for bananas from traditional suppliers. The US statement was made amid reports that some Caribbean leaders were planning to boycott the summit of the Americas in Miami

The US government and the Caribbean exporters agreed last month to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

unless the US moderated its

attitude to the EU banana

"The committee of Caribbean and US officials bas not yet

industry-agreed procedures.

JOTTER PAD

yet we have this statement by the US trade representative that the conclusions arrived at so far suggest that the European trade regime is discrimi-natory." Mr Mallet says.

Caribbean officials say that the region's producers had left the December discussions with the impression that any action by the US would be delayed until trade officials from Wasbington and the Caribbean had concluded their meeting.

The "climate of confidence" in the Caribbean industry that followed earlier US support for special treatment of Caribbean banana exports is in danger of being seriously eroded, Mr Mallet says, Caribbean producers are consulting with others in the African, Caribbean and Pacific group about "coilective measures" to protect their European market access.

MARLET REPORT Speculative buying lifts base metals at LME

Base metals prices ended firmer on a wave of speculative bnying at the London Metal Exchange yesterday, but profittaking at the highs capped the

"A lot of speculative buying early ran into inevitable profittaking, but the afternoon closes were still very construc-

tive," one dealer said. The earthquake in Japan attracted early buying on perceptions that reconstruction in the affected area would boost demand for metals, particularly NICKKL, used in stainless steel. The three months delivery price for that metal tested a 41/2-year high of \$10,100 a tonne, helped by constructive chart patterns, and closed at

\$9,970, up \$60. The closure of Sumitomo's LEAD and ZINC plant in Harima leant further support, although the company has said it would meet contractual obligations. Zinc ended \$15 up at \$1,200 a tonne, while lead was \$6 higher at \$680. Traders said the market was now looking

for lead to break its recent sion devoid of fresh news.

COPPER hit a fresh 5%-year high of \$3,060 a tonne for three months delivery, boosted by Far Eastern merchant buying. and closed at \$3,040.50, up \$57

ALUMINIUM touched a 41/2year high of \$2,121 a tonne before easing to \$2,114, up \$24 on the day. At the London Commodity

Mar' May Jei Sep Dec Mar Total

240/6 245/2 249/0 252/0 258/4

■ BARLEY LCE (£ per tonne)

The market continued to keep a careful eye, however, on the International Coffee Organisation meeting being held this week in London. And traders said investors were unwilling to go short ahead of today's gathering of the Association of Coffee Producing Countries, arguing that any news emerging from the meeting was

Compiled from Renters

March start for Sydney's revamped wool futures

The Sydney Futures Exchange said yesterday that it would begin trading its revamped deliverable wool futures contract on March 13, reports Reuters from Sydney.

The new contract will be based on 21 micron wool, finer than the 22m micron standard for the inactive existing cash settlement contract. "The majority of wool is now

being produced at 21 microns. so there will now be a more precise closure of futures against the actual prices of wool," exchange chief executive Mr Les Hosking said. The new contract was an important step in the SFE's plans to expand commodity products within Australia and Asia, be added

Specifications of the contract

include a weight of 2,500 kg deliverable grades, derived (clean), 21 micron diameter, 1 from physical auction prices, per cent vegetable matter, 90 Contract months will be Febmm staple length, and good colour and topmaking style. ruary, April, June, August, Non-measurable characteris-October and December up to 18

months ahead. tics will be determined by Delivery centres will be approved warehouses in the Premiums and discounts will apply to variations from stanmajor wool selling centres of dard to reflect actual commer-Sydney, Melbourne, Fremantle, Adelaide and Brisbane. cial differences in value for the

COMMODITIES PRICES

green generalist (1965<mark>)</mark>

BASE METALS LONDON METAL EXCHANGE ALUMINIUM, 99.7 PURITY & per tonne

2106-7 2095-5-5

Previous	2057-8	2095-5.5
High/low AM Official	2079.5-80.5	2117.5-8.5
Kerb close	2018.3-00.3	N/A
Open Int.	231,212	
Total daily turnover	56,687	
ALUMINIUM ALL	OY (\$ per torm	o)
Close	1960-70	2005-10
Previous.	1955-65	2000-\$
High/low		2010-5
AM Official Karb close	1965-75	N/A
Open Int.	2.622	1471
Total daily turnover	557	
E LEAD (S per tonn	e)	
Close	864.5-5.5	682-2.5
Previous	645-6	662-4
High/low		
AM Official	668.5-9.5	685.5-6 N/A
Kerb clase Open int.	38.277	NA.
Total delly turnover	8,238	
NICKEL & per to	nne)	
Close	9795-805	9970-80
Previous	8660-70	9835-40
High/low		
AM Official	9820-30	9999-10000
Kerb close		N/A
Open int.	87.149 14.858	
Total daily turnover	14,000	
TIN (S per torete)	P000 00	6370-6
Close Previous	6280-90 6145-55	6235-40
High/low	0140-00	
AM Official	6290-5	6375-80
Kerb close		N/A
Open int.	21,299	
Total daily turnover	8,458	
ZINC, special hig	ly Grace (2 ber	
Close	1171-2	1197-8
Previous	1144-5	1170-1
High/low AM Official	1179-80	1205-8
Kerb close	,	NA
Open Int.	96,262	
Total daily turnover	43,330	
COPPER, grade		
Close	3030.5-1.5	3040-1
Committee the	2973-6	2982-5

PRECIOUS METALS IL LONDON BUILLION MARKET

LME Closing E/\$ rate: N/A

High/low AM Official

II LME AM Office

380.30-380.70 382.00 382.60 242 5BB 384,80-385,20 380,10-380,60 379,80-380,20 iold Lending Rates (Vs USS)

iel £/6 rate: 1.5751

10,394 2 364

1 month 2 months 3 months p/troy ez. 310.90 315.40 320.85 333.55 Silver Fix Spot 3 months 6 months 490.00 496.85 505.1S 524.20 £ equiv. 242-246 Gold Coins

1

Precious Metals continued ■ GOLD COMEX (100 Troy 02; \$/troy 02.)
 362.3
 +2.0

 382.6
 +2.0
 384.9
 382.5
 78,668
 29,169

 384.4
 +2.0
 385.5
 384.5
 8
 4

 386.2
 +2.0
 385.5
 386.2
 20,253
 5,377

 388.9
 +2.0
 382.9
 386.7
 25,976
 491

 394.2
 396.0
 394.5
 14,240
 557
 +22 418.0 418.0 59 +22 426.0 421.1 18,480 +22 430.0 426.5 3,679 +2.1 - 838 +2.1 - 150 PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 159.85 +1.35 187.00 159.50 160.10 +1.35 181.75 180.00 161.10 +1.35 163.00 180.75 162.10 +1.35 5,959 955 280 11

168 496.5 488.0 68,856 17,971 502.5 495.0 13,170 B11 508.5 502.5 7,574 926 513.5 510.0 9,835 310 **ENERGY** ■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel) 18.30 39,696 34,632 18.20 81,309 59,844 16.12 42,563 21,073 ■ CRUDE OIL IPE (\$/berrel) 18.74 80.729 31.310

140,184 43,142 HEATING OIL NYMEX (42,000 US palls.; c/US galls.) Lainsk Day's price change 49.20 +0.53 | Color | Colo Sett Day's price change son: cheane High Low Int 145.75 +0.50 148.25 145.50 42.110 147.75 +0.25 150.00 147.75 16.115 148.75 +0.75 150.75 148.50 8,224 140.25 +1.00 151.00 140.25 3,375 150.00 +1.50 151.50 149.75 8,962 151.50 +1.00 152.75 151.50 2,353

MATURAL GAS NYMEX (10,000 minBlu; S/minBlu) -0.054 -0.054 -0.040 1.445 1.365 22,850 17,032 1.485 1,420 24,570 8,061 1.505 1,460 12,166 1,647 1.520 1,490 11,101 1,215 1.520 -0.029 1.550 1.520 9,261 1.550 -0.022 1.575 1.550 10,330

■ UNLEADED GASOLINE MYNCEX (42,000 US galle.; c4US galle.)

+0.95 80.00 57.65 20,373 16,297 +0.38 57.10 56.10 16,981 11,050 +0.24 58.50 58.00 14,436 4,638 57.40 57.00

likely to be fairly positive for Exchange robusta COFFEE futures ended mostly lower in thin volume after a listless ses-GRAINS AND OIL SEEDS ■ WHEAT LCE (€ per tonne) 107.45 -0.80 108.00 107.50 197 108.36 -0.60 108.75 108.35 1,761 110.15 -0.55 110.50 110.00 1,841

111.90 -0.50 112.00 112.00 331 97.45 -0.20 - 105 90.45 -0.25 90.50 98.50 1,486 5,867

MAIZE CBT (5,000 bu min; cents/56to bushel)

103.85 -0.30 104.15 104.15 105.25 -0.25 107.15 97.15 +1.25

SOYABEAN OIL CET (80,000ths: cents/fb)

POTATOES LCE (E/tonne

-4/4 398/0 379/2 34,676 10,263 -2/4 370/0 368/0 9,240 2,999 -2/4 350/2 345/6 18,284 5,891 -2/6 354/4 351/0 1,013 112 -2/4 364/0 361/0 558 186 - 367/0 367/0 13

-0.6 235/4 234/2 120,158 22,885 -0/6 241/4 240/4 63,398 5,008 -0/4 245/6 245/0 56,397 4,877 -0/2 249/4 246/8 68,932 33/4 -0/2 252/4 251/4 43,453 4,120 -0/2 259/0 258/2 4,777 20/4

-2/0 555/6 552/6 1,328 -3/4 558/6 554/4 56,639 : -3/6 568/6 562/4 22,305 -2/6 575/2 572/0 2,921 -4/6 577/4 574/0 2,615 -363,000 3

+0.12 28.44 28.18 5.518 1.813 +0.11 28.83 28.53 37.428 11,146 +0.08 25.00 25.52 20.309 3.957 +0.06 25.30 25.07 13.258 2.924 +0.08 25.02 24.80 3.872 844 -0.02 24.82 24.80 4.507 178

+0.1 158.0 157.2 922 525 -1.5 160.4 158.5 39.443 15,793 -1.2 163.0 161.8 20,416 3,411 -1.3 168.4 165.1 16,850 2,000 -1.0 163.3 167.2 4,692 130 -1.0 170.2 169.1 3,585 25 98,402 22,342

322.0 315.0 1,261 735.0 42

+5 2054 +6 2050 +2 2025 +40 2025 +28 1765 +20 1770

Nuts and Seads
1894 crop prices from Kenido Group; US dotlars per tonne, Iranian Pistachao 28/30 raws (n
shell, naturally opened (round) \$3,200 free on
truck, Hamburg, Pistachio kemels \$5,500 bld,
sellers scarce, Iranian merket firm on continued
reports of crop shortfall and trucking difficulties. US almonds, shelled, 18/20 (nomperal
supreme – nut brown slom outses unscratched;
\$3,700 free alongside steamer, Callifornia,
steady, Indian cashevis, raw, W320, \$5,200 c &
f main European ports; steady. Turkish hazelmu
tomels 13/15, standard 1s \$3,700 c & 1 MEP;
essy, Israell sunflower seeds, raw (long) 8mmplus, \$2,000 c & 1 MEP; North Dakota raws
(round) \$730 c & 1 MEP; market slightly
standler. Snow white Russian pumpkin seeds
\$2,300 c &f MEP; firm. Sesame seeds 99,9%
natural \$1,075 POT Holland; steady.

35

. 567

SOFTS Low 960 37,306 1,141 978 18,828 973 993 9,253 680 1006 15,229 108 111,266 3,541 1345 1317 30,282 9,322 1373 1346 17,418 3,279 1382 1373 7,961 580 1405 1400 2,579 188 1434 1434 4,525 207 1331 1361 1384 1404 1428 1453 Apr Juni Aug Oct Dec Total ■ COCOA (ICCO) (SDR's/tonne 2825 2785 2845 2800 2810 2770 2795 2760 2790 2775 -10 -5 -9 -3 -5 -16 2785 190 2800 15,451 2770 7,580 2760 2,391 2775 3,081 COFFEE 'C' CSCE (37,500lbs; cents/fbs) 174.25 +3.95 174.50 168.80 14,926 4,803 175.40 +3.95 175.50 170.10 9,425 733 175.75 +3.60 175.80 171.00 3,886 400 178.00 +3.00 177.00 172.00 2,544 235 175.35 +2.35 176.00 172.00 3,041 72 174.50 +2.60 173.00 172.00 264 34,135 6,236

14.61 14.78 14.10 12.50 11.95 480 860 300 +85 407.0 402.0 13,776 1,415 +8.6 404.0 308.5 5,633 1,821 +4.1 300.5 388.0 4,984 121 +3.7 356.7 357.6 2,073 54 +3.9 - 135 -+4.1 346.5 345.0 200 80 407.2 403.9 390.2 359.2 353.9 348.6 ■ SUGAR "11" CSCE (112.000fbs; cents/fbs) 14.67 +0.25 14.71 14.47 65,522 16,565 14.72 +0.20 14.75 14.60 42,403 8,089 14.25 +0.13 14.27 14.20 28,576 1,968 13.44 +0.18 13.45 13.30 31,356 12.47 12.45 +0.15 12.90 12.75 8,366 612 12.75 +0.15 12.70 12.70 2,388 18 179,094 28,357

COTTON NYCE (50,000/bs; cents/fbs) 91.82 +1.87 81.95 89.75 28.528 5.921 91.50 +1.75 91.65 89.60 16.041 2.176 90.88 +1.48 91.00 69.20 10,538 1.832 90.99 +0.47 89.95 69.20 10,538 1.832 74.77 +0.30 74.82 74.47 12.274 875 75.70 +0.35 75.60 75.43 400 10 ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) 102.45 -1.45 104.50 103.85 2 106.35 -0.65 107.00 105.60 16,513 109.90 -0.85 110.25 109.40 3,082 113.20 -0.80 113.00 113.00 948 116.30 -0.75 116.30 116.30 2,597 -0.90 116.00 115.70 1,890

VOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one

■ REUTERS (Base: 18/9/31=100) Jan 17 2243.7 ■ CRB Futures (Base: 1967=100) MEAT AND LIVESTOCK ILIVE CATTLE CME (40,000lbs; cents/lb

74,600 +0,875 74,650 73,900 26,474 7,756 74,850 +0,375 74,900 74,400 34,350 7,954 67,925 +0,150 68,000 67,675 11,465 3,911 85 025 -0 125 65175 84 850 5.418 1.297 65,975 +0.100 66,075 65,825 66,800 -0.025 67,050 66,800 40,600 +1,425 48,650 38,550 10,747 3,912 40,525 +1,150 40,700 39,500 12,865 2,411 45,550 +0,875 45,650 44,750 6,860 1,688 44,275 +0,625 44,400 43,650 1,741 128 41,750 +0,425 41,850 47,400 1,832 93 42.675 +0.275 42.700 42.300

PORK BELLIES CME (40,000ths; cents/lbs) 43,500 +2,000 43,500 42,100 5,455 43,550 +2,000 43,550 42,250 2,808 44,350 +2,000 44,350 43,150 978 45,175 +2,000 43,175 43,800 978 43,050 +2,000 43,050 42,200 277 51,550 +1,050 51,550 37

LONDON TRADED OPTIONS

203 154 133 Grade A) LME Apr 195 135 88 Jul 130 90 50 Jul 135 191 265 COFFEE LOS May 73 59 47 **■ COCOA LCE**

LONDON SPOT MARKETS CRUDE OIL FOB (per barrel/Mer)

\$16.74-6.75 ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) ST10-111 \$383.00 491.5c \$421.00 \$157.00 +6.25 +2.25 Copper (US prod.) 145.0c +\$L0 42,25c 15,50m 296,5c +0.15 +8.0 Tin (New York) 119,32p 116,41p 77,91p Cattle (live weight)† Sheep (live weight)† Pigs (live weight) \$354.90 \$408.00 \$340.00 Lon. day sugar (raw Lon. day sugar (wto Tate & Lyle export Barley (Eng. Teed) Maize (US No3 Yellow)

\$615.0y \$645.0u Coconut Oil (Phil)§ \$395.0q £170.0 Soyabeans (US)

Wheat (US Dark North)

Rubber (Febi♥ Rubber (Mar)♥ Rubber (KL RSS No1 Jul)

116.00p 116.50p 423.0m

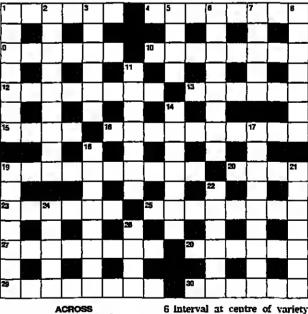
+1,50 +1,50 +6.0

-5.0 -1.0

+0.25

CROSSWORD

No.8,664 Set by DANTE



ACROSS 1 Father about to see doctor in confidence (6) What a mean employer would like to get is complete control

9 He gives people their cards (6) 10 Gets rid of players on strike 12 Leave upset by set-back, but cbeers up (8) 13 Military show leaves a perma-

nent impression on one (6)

15 First-class return to this place

16 A blockade that should pay dividends (10) 19 Sinister operator (4-6) 20 Turns up with a mother cat

23 Handy cover for ancient fighters (6) 25 Treatise that is rarely bound to sell (8) 27 Gas main? (5.3)

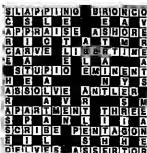
Saucy entics? (6) 29 An ivory castle, perhaps (8) 30 Turn pale when it is included

1 Publicity coverage of the speech (7) Stops because furlough's can-celled (6,3) Frenzied woman made an

8 US city editor breaks down on junction (7) 11 Incorrect in angle? (7) 17 Agitated farm animal that is caught in a net, perhaps (9)
18 Nevertheless a street opris-

ing, whatever people think (6) 19 Spartan talk, as it were (7) 21 Painting for example is one article made by a craftsman 22 Ostentatious display with a

siphon (6) 24 Provide act to put in play (5) 26 Girl upsets a clergyman (4) Solution 8,663



CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound firm on strong economic figures

interest rate rise and higher than expected UK inflation fig-ures lifted both the dollar and the pound on a quiet day for currencies, writes James Hard-

Investors were none the wiser about the implications of the Kohe earthquake on the Japanese yen, and, by default, maintained a moderate bias in favour of the US dollar.

On the European crosses, the lira was saved from heavy selling by profit-taking on the D-Mark and hopes that Italy's day old government may sur-vive beyond next week's confidence motion in parliament.

■ The pound rose, prompted by strong UK economic data and helped further by the combination of a weakening D-Mark and strengthening dol-

The UK retail prices index per ce ber a

The enhanced prospect of a US cent increase. Unemployment fell by 54,600, higher than forecast. Short sterling prices slipped in the wake of the figures, indicating heightened market expectations that the Bank of England would raise interest rates sooner rather

> Sterling closed in London up half a pfennig against the D-Mark at DM2.4044 against DM2.3993 the previous day and half a cent on the dollar at \$1.5715 over Tuesday's \$1.5662.

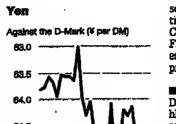
■ There was little interest m the dollar for most of the day. Against the D-Mark, it drifted around Tuesday's close of DM1.532 as traders continued to mull over the earthquake's possible effects on the dollar-

-		
■ Pound	in New Yor	k
Jac 18	Latest	— Prev. close —
£ spct	1,5895	1.5668
१ व्यक्ति	1.5893	1.5865
3 mth	1,5887	1.5660
1 yr	1.5655	1.5628

The rise in November's business inventories at an expected 0.7 per cent rate barely stirred the markets. Comments from Mr Alan Blinder, US Fed vicechairman, who warned about strong economic growth. did not immediately unsettle the dollar. It continued to bounce in a narrow range, closing at

The dollar was stronger against the Jepanese yen, closing at Y99.425 in London against Tuesday's finish of Y99.075. It picked up further after the Beige Book, the Fed's regional outlook on the econ-omy, showed continuing momentum in US consumer spending, fuelling speculation

of a rate rise at the end of the month. It was quoted at Y99.68 in early US afternoon trading. The earthquake in Japan oontinued to leave the yen sidelined. "There is still uncertainty about how to interpret



nomic advisor at Bank of

15th Dec 94

■ The Canadian dollar hit another nine year low yesterday. It closed in London at C\$1.422 against the US dollar down from C\$1.4205 on Tuesday. The market was unim-pressed by the Bank of Cana-

seen some really aggressive tightening from the Bank of Canada it has come too late. From the currency angle, interest rate hikes have got to be pre-emptive," one analyst said.

■ Profit taking on long D-Mark positions prevented hlood-letting on the Italian lira and Spanish peseta. Traders, who had piled into the German currency, the leading European safe haven, over recent weeks, took the opportunity of a quiet day on the crosses to sell some D-Marks and make a

This, coupled with fluctuating expectations over whether Mr Lamberto Dini, the newly inaugurated premier, could muster a majority in parliaheavy selling that had been

forecast yesterday morning.

After coming close to historic lows on Tuesday night, the lira closed in London at

ĬĦ

The Spanish peseta followed a similar pattern. Having fallen to a low yesterday morning of Pta 87.27, the softening D Mark allowed it to close up at Pta86.98, barely changed from Tuesday's Pta86.99.

■ The long-awaited announcement that Mr Edouard Balladur, the French premier, was making a hid for the presidency did not ruffle the markets. The French franc finished against the D-Mark at FF13.456 after FFr3.457 on Tuesday.

ket, the Bank of England forecast a shortage of £1.05bn. It provided assistance of £235m at established rates and late assistance of £860m.

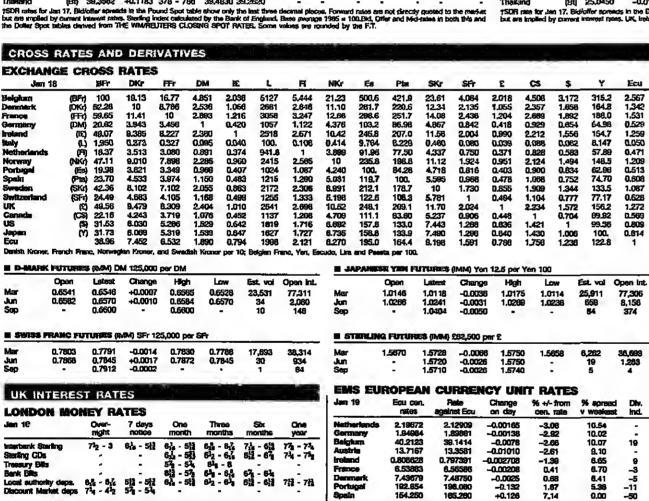
Jep 18	٤	
Hungary	177.805 - 178.076	113.180 · 113.280
tran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4697 - 0.4708	0.2990 - 0.2905
Poland	3.8040 - 3.8105	24220 - 24240
Russia.	6182.28 - 6185.99	3934.00 - 3937.00
UAE	5,7892 - 5,7736	3.6723 - 3.6728

WORLD IN	ITERE	5T R.	TES			S.		
MONEY RA								. :
	Over	One	Tive	Sta	Qne	Lomb	Die.	
January 18	nicht	WOUTH	müle.	reths	year.	FIRET.		
	4%	54	5%	59	45	7.40	4.50	
Belgium week ago	475	52	5	54	84	7,40 5,00	~~~	- 44
Week ago France	52	51	54	6%	62	5.00 5.00	_ I ′	- 4
week ago	5&	54	54	6#	4	6.00	4.50	4.5
Germania.	4.83	4.95	5.10	5.50	5,75	6.00	4.50	- 4.4
week 520	4.88	4.95	5.10	5.35	5,80 7%	-		
reland	54	5%	81-	63	736		· · · · ·	. 12
week 920	54	5%	87	5 <u>2</u> 92	204	٠.	7.50	. 83
italy	81	e%	94	94	10%	•	7.50	. 63
week IIQO	84	5%	5.27	5.40		_	5.25	•
Notherlands	4.84	5.08	5.27 5.18	5.43	5.26	•	5.25	
week ago	4,84	5.08 31	41	44	41	8,626	3,50	٠.
Switzerland	314	3 <u>8</u>	74	- 24	4%	6.626	3,50	_
week ago	314	5%	64	61	7%	-	4.75	٠٠.
US .	54 5%	5%	6%	675	794	_	4.76	
week ago	24	24	. 24	2%	24	.	1.75	٠
Japan	28 21	22	21	246	2		1,75	
week ago								
SLIBORFTU	ondon	-	61	674	74	· - ·		
Interbank Phing	-	5% 5%	6%	6%	7%	-	-	
week ago	-		•	6.53	7.23		_	1.1
US Dollar CDs	-	5.72	8.18	6.55	7.45	-	· 🚣	
week ago	-	5.72	6.18 4.94	5.25	2.60	-	44.7	
SDR Linked Da	-	4.56	4.94	5.25	1.00	. =		
week ago ECU Linked De mik	-					74.51	80R H	tarente i
ECU Linked De mid rates are offered rate	cadae; 1 (l	DEC DEL S	MENTER COR	test by fo	A Legacous	a berks si	Tana N	
retee are offered rank day. The bunks are:	Backers Ti	pet Benk	of Toloro	Bercher	and Nati	profit Wildler	siretti.	~
day. The bunks are: Mid rates are show!	for the do	erestic Ma	Metal (gales	e, US 5	COE ING 4			· —
				T 84	720			200
EURO CUR	RENC	A IMI			7	S	_	One
Jan 18	Short	7 da	-	One	Three	_		~
	terra	potic		कायो -				
Belgian Franc	412 - 412	5 - 4		- 544	512 - 51	- si -		9
Danish Krone	54 - 5	54 -		- 5	S			1
D-Mark	44 - 44	44 - 4		- 4-2	54 5			Ϊ,
Dutch Guilder	54 - 8	54		- 5(*	548 - 5			9 3
French Franc	54 - 54	524	الم عاد	- 524	245 - 24		11.4	

OUND S	SPOT	FORY	VARD A	GAINST	THEP	OUND								DOLLAF	SPC	T FOR	WARD A	4GAINS	THE	DOLLA	R							Swiss Franci Can. Dollar US Dollar	87 ₁	- 3 ¹ - 6 ¹
19		Closing nid-point	Change on day	Bid/offer apreed	Dey's high	MEdi low	One mo	nth %PA	Three mo	nths %PA	One ye		Bank of ing. Index	Jan 19		Closing mid-point	Change on day	Bid/offer spread	Dey's	s mid low		nth %PA	Three mo	nths %PA		MF J.P	Morgan Index	Kallen Lira Yen	9 24	- 7½ - 20
rope strla	(Sch)	16.9188	*U US	096 - 281	16,9406	16 9591	18,9063	0.9	16.8726	1.1			116.1	Europe Austria	(Sch)	10.7680	_n m4	635 - 685	10.7755	10.7330	10.7585	0.8	10.7387	1.0	10.606	1.5	105.1	Asien \$Sing Short term n		d for t
gium	(BFr)	49,5651		415 - 887		49.3760	49.5301	0.6		0.9	48.9101	1.3	117.7	Belgium	(BFr)	31.5400		350 - 450		31.4650	31.525	0.5	31.485	0.7	31.215	1.0	206.8	- THEFE	HUNOH	PIEC
mark.	(DK4)	9.4793		738 - 847		9.4462	9.4813	-03	9.4815	-0.1	9.4566	0.2	117.1	Denmark	(DK4)	6.0320		305 - 335		6.0130	6.0317	0.0	6.0305	0.1	6.029	a.o	205.5		Open	80
lend	(FM)	7,4269		192 - 345				_:		-:			88.8	Finland	(FM)	4.7260 5.2875		226 - 293 850 - 900		4.7044 5.2770	4.7242 5.2866	0.4 0.2	4.722 5.2844	0.3 0.2	4.7135 5.2685	0.3 0.4	83.2 106.8	Mar	93.61	
many nce	(DM)	8,3093 2,4044		027 - 159			8.3056 2.4019	0.5 1.2	8.2995 2.3971	0.5 1.2	8.2502 2.3632	0.7 1.7	220.5 127.8	France Germany	(DM)	1.5300		297 - 302		1.5249	1.5268	0.2	1.5262	1.0	1.5085	1.4	108.2	Jun	93,12	
6G8	(D)	374.135		977 - 293			24016	12	2.3011	12	2.3502	• • •		Greece	(Dr)	238.075		050 - 100		237,470		-15.1	245.825		258.225	-8.5	68.3	Sep	92,83	
nd	82	1,0101		093 - 109		1.0085	1,0098	0.4	1.0095	0.2	1.0081	0.2	105.1	Ireland	(12)	1.5559		551 - 566		1.5487	1,5561	-0.1	1.5557	0.1	1.5549	0.1	-	Dec	92,54	
	(4)	2541.68		015 - 321		2532.85	2547.88	-29	2558.83	-27	2608.83	-26	72.6	Italy	(L)	1817.36		690 - 782		1510.00	1621.71	-3.2	1629.08	-29	1664.86	-2.9	73.1	IN THIRDS	MONTH	
mbourg	(LFr)	49.5651		415 - 887		49.3760	49.5301	0.9	49.4551	8.0	48.9101	1.3	117.7	Luxembourg	(LFr)	31.5400		350 - 450		31.4650	31.525	0.6	31.485	0.7	31.215	1.0	106.8		Open	s
erlands ray	(NK)	2,6983 10,5204		966 - 999 147 - 261		2.6858	2.6963	0.9	2.691 10.5188	1.1 0.1	2.6566 10.5088	1.5 0.1	121,7 86.9	Netherlands Norway	(NK)	1.7170 6.6945		165 - 175 330 - 960	6.7267	6.6627	1.7151 6.6922	0.7 0.4	1.7132 8.6875	0.9	1.6941 6.6395	1.3 0.8	97.1	Mar	Орен	٠
agel Tagel	(E3)	248.132		987 - 297		247.510			250.382	-3.6		٠	-	Portugal	(Es)	157,895		840 - 950		157.620	158.52	-4,7	159.62	-4.4	164.32	-4.1	95.4	Jun		
- I	(Pta)	209.088		943 - 233		208.556			210.553		214.908	-28	83.1	Spain	(Pta)	133.050		000 - 100		132.700	133,405		134.045	-3.0	137.15	-3.1	78.2	Sep		
len	(SKI)	11,7042		942 - 142					11.7577	-1.8	11.8742	-1.5	75.1	Sweden	(SK)	7,4478		438 - 516		7.4264	7.4615	-2.2	7.4853	-2.0	7.5778	-1.7	80.2	Dec		
erland	(SFr)	2.0241	+0.0078	227 - 255	2.0271	2.0110	2.02	2.4	2.0126	2.3	1.9678	2.8	122.4	Switzerland	(SFr)	1.2880		675 - 885	1.2303		1.2857	2.1	1.2813	2.1	1,2558	2.5	108.0			_
	(5)	1 0710	.0004		1 2720	1 0005				•	1 0001	.:	79.6	UK	(2)	1.5715		710 - 720 354 - 364	1.5760		1.5713	0.2	1.5707 1.2356	0.2 0.1	1.6678 1.2377	0.2 -0.1	87.6	R THREE	MONIN	
	= -	1,2718 0,936714	+0.004	706 - 725	1.2726	1.2665	1.2717	0.0	•	- :	1,2661	0.4	- 1	SDR†	-	1,48858	+0.0004	354 - 364	1.2400	1.2340	1.2357	0.2	1.2356	u.,	1.2377	-0.1	: 1		Open	
icas		0.0001					_	-	-	-	_	•	-	Americas	_	1,70000											- 1	Mar	94,59	
	Peso)	1.5766	+0.0102	757 - 775	1.5807	1.5716	-	-	-	-		-	-	Argentina	(Peso)	1.0033	+0.0031	030 - 035	1.0025	1,0020						-	- i	Jun	94.17	
	(Cr)	1.3271		259 - 283	1.3317	1.3220		-		-		-	-	Brazil	(Cr)	0.8445		440 - 450	0.8450			-		-				Sep	93.79	
da	(C2)	2,2346		335 - 357	2.2447	2.2226	2.2366	-1,0	2.2409	-1.1	2,2576	-1.0	83.1	Canada	(C2)	1,4220		217 - 222	1.4252		1.4235		1,4266	-1,3	1,4408	-1.3	79.9	Oac	93.40	_
(New I		8.3389		949 - 788	8.3788		4 5740			•					Peso)	5,3050	-0,125	800 - 300	5.3300	5.260C	5.3058	-0.2	5.3062	-0.1	5,3076	0.0	er:	THREE	MONTH	~
c/Middle I	(5)	1,5715	+0.0053	710 - 720	1,5760	1,5883	1.5713	0.2	1.5707	0.2	1.5678	0.2	62.9	USA Pacific/Middle	(S)	-	•	•		•	•	-	•	•		•	97.1		Open	
dia .	(A\$)	2.0649	+0.0007	636 - 662	2.0673	2.0636	2.0685	-21	2.075	-1.9	2.1105	-2.2		Australia	(AS)	1,3139	-0.004	136 - 144	1 3182	1.3117	1.3181	-2.0	1.3207	-2.1	1.3462	-2.5	89.2	Mar	88.90	
	HKS)	12,1597		550 - 643	12,1957			-1,6	12,19		12.085	0.8	-	Hong Kong	(HK22)	7.7376		371 - 391	7.7450		7.7387	-0.2	7 7397	-0.1	7.7446	-0.1		Jun	89.37	
	(Fls)	49,2940		744 - 136	49.4310		•	-	-			-		India	(P39)	31.3575	-0.005	€50 • 700			31,4475		31,6925	-4,1		•	-	Sep	89.22	
	(Shid)	4,7284	+0.0189		4.7901					. :		-		Israel	(SNA	3.0088		063 - 113		2.9895		_ =		. :		. :		Dec	89.00	
1	m	156.246		157 - 335	156.630		155 .70 6	4.1	154.711	3.9	148.906	4.7	189.3	Japan	m	99.4250		000 - 500		98 6300	99.105		98.495	3.7	95.02	4.4	149.7	R THROU	MONTH	
	(MS) NZSI	4,0129 2,4561	+0.02	108 - 149	4.0212 2.4578		2.4618	-2.8	2,4722	-2.6	2.5065	2.	-	Malaysia New Zealand	(NZS)	2.5535 1.5628		530 - 540 623 - 635		2,5465	2.5515 1.5663		2.547 1.5723	1.0 -2.4	2,531 1,5973	0.9 -2.2		1	Open	:
		38,7219		309 - 127	38.8127		24010	-2,0	2,4/22	-2.0	2,5005	-2,1		Philiphes	(Peso)	24.6400		900 · 900		24.5900	1.2003	-2.1	1.91.00	-4-4	1-39/3	-22		Mar	95.63	
	(SFO	5.8944	+0.0199		5.9111					-				Sauci Arabia	(SFI)	3.7508		507 - 509		3 7507	3,7534	-0.8	3.7567	-0.6	3.7683	-0.5		,Jun	25.32	
pore	(55)	2.2834	+0.0144	19 - 849	2.2860	2.2699	-	-		-		-	-	Singapore	(55)	1,4530	+0.0042	525 - 535	1,4535	1,4488	1 4481	4,1	1.4427	2.9	1,4193	2.3	- 1	Sep	96.02	
ca (Corr.)	(FQ	5.5538		508 - 567	5.5648	5.5425	-	-	-	-	-	-	•	S Atrica (Com.)	(FI)	3.5341		333 - 348	3.5393		3 5491	-5.1	3.5801	-5.2	3.7361	-5.7	- 1	Dec	94.82	
=a (Fin.)	(FQ)	6.4275	-0.1112			6.4097	-	•	-	-	-	-	-	S Africa (Fin.)	(FI)	4,0900		800 - 000		4,0800	4.1175	-6.1	4,1675	-7.6	4.4	-7,6	•	III THREE	MONTH	×
Korea (1247.46		575 - 817	1250.71			•	-	-	•	-	-	South Korea	(Won)	793.800		600 • 000		791.630	796.9	-4.5	800.3	-3.3	818.8	-3.1	•		Open	
l id					39,4830		-	•	•	•	•	-	•	Taiwan	(L2)	26,2788		755 - 820 400 - 600			26,2988			-0.9 -0.4	25.0975		•	Mar	93.36	
r.	(DI)	2000			show only	OG COCY	-	-	-	•	•	-	-	Theiland	Œŧ	الدسيدع	~0.01	*W * DW	とは いつつん	MOPPLICA	25,0575	-17.0	K-1-04 13	-17.4	**************************************	-0.2	• 1	Jun	92.54	

-4.07 -4,47 6.74

Belgian Franc		- 64		- 5ra	512 - 513 614 - 6	513 - 513. 614 - 612	71 74
Denish Krone				- 5% - 4½	54 5	54 54	3.14 - A14
D-Merk				- 50	54 - 54	54 - 54	4
Dutch Guilder			- 5% 5%	524	5H - 5H	516 - Ba	해 - 4대
French Franc				- 9.2	10°- 10°-	114 - 114	113 - 11
Portuguese Es Spenish Pessi	-			- 814	87 - 64	64 - 84	10 10
Starling			- 54 6	8	eit - 6년	76 - OIL	13 - 75
Bwiss Franc	332	34 34		- 3]]	4) - 34	4 4	44 42
Can. Dollar				4 - 7	712 - 71	64 - 64	74 74
US Dollar	55			5h	614 - 619 924 - 924	24 - Uc	102 10
talian Lira				- 64	2 2	23 23	11 2
Yen		- 2d 2d		34	43 4	44 - 44	44 4
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	Open	Sett price	Change	High	Law	. Ger Act	Open to
Mar	93.61	93.74	+0.00	93.75		29,206	60.327
Jun	93,12	93,23	+0.09	93.24	. 93.08	19,465	64,976 33,647
Sep	92,83	92.93	+0.07	92.95	92.80	5,000	19,790
Dec	92.54	92.65	40.04	92.65	92.54	2,450	150,230
E THREE M	IONTH !	EURODOLL	AR (LIFFE)*	\$1m po	ints of 1009	X	
	Open	Sett price	Change	High	Low	Est, vol	Open in
Mar		93.20	-0.04			. 0	1402
Jun		92.47	-0.08			O.	613
Sep		92.11	-0.06			. 0	127
Dec		91.86	-			. 0	8
R THREE N	MTHON	mmoriane	HITLERE	(UFFE	DM1m po	inte of 1805	
- 1.002	Open	Sett price	Chenge	High	Low	Est. Vol	Open in
Mar	94.59	94.68	+0.09	94.70	94.57	57000	100500
dun Jun	94.17	94.22	+0.08	94.24	94,73	48648	163664
Sep	93.79	93.82	40.04	93.83	93.73	25706	P7001
Oac	93.40	83.42	+0.02	93,44	93.33	13679	6424
E THREE M							te of toos
	Open	Sett price	Change	High	Low	Est. vol	Open to
		90.22	-0.02	90.36	89.90	11830	30004
Mar	89.90	80.82	-0.02	80.72	80.36	3580	2000
Jun Seo	80.22	80.26	-0.01	80.37	89.15	1915	20073
Dec	80.00	86.05	-0.02	89.14	88.96	400	10000
R THREE S						Write point	of 100%
	Open	Sett price	Chenge	High		But vol	Com in
Mar	95.63	95.70	+0.05	90.71	98.61	4718	22463
ynu Mar	95.63	95.70	+0.06	96.38	95.30	1887	9466
Sed	96.02	86.09	+0.05	95.09			5543
Dec	94.82	94.85	+0.04	04.85	94.82	40	3404
B THEFE R							
	Open	Sett price	Change	High	Low	Est. vol	Openin
h.t	93.36	93.44	+0.04	93.45	93.36	1581	9000
Mar Jun	92.84	92.94	+0.04	92,94	92.84	1061	6718
Sep	92.45	92.52	+0.02	92.53	92.45	266	2964
Dec	92,07	92.12	+0.01	92.11	92.07	. 183	1575
L-Uni	32,00	-		944			144.4



COD		0.0000	_	0.0000		10	140	Sep		1.0404	-0.0050	•	
5W138	FRAMC F	UTURES (S	MM) SFr 12	5,000 per	SFr			■ STERUI	IQ FUTURE	S (IMM) 2	62,500 p	er 2	
Mar	0.7803	0.7791	-0.0014	0.7830	0.7786	17,693	38,314	Mar	1.5870	1.5728	-0.0066	1.5750	1.5658
Jun Seo	0.7868	0.7845	+0.0017	0.7872	0.7845	30 1	934 64	Jun		1.5720	-0.0026	1.5750	-
oah		0.7912	-0.0002				64	Sep		1.5710	-0.0026	1.5740	•
UK IN	ITERES	T RAT	ES	71.	1 3			EMS EU	JROPEA				
LONDO	N MO	NEY RA	ITES					Jan 19	Ecu cen.	. Re agains		Change on day	% +/- fro
Jan 10		Over-	7 days	One	Three	Six	One	Netherlands				-0.00165	-3.08
		night	notice	month	months	months	year_	Germany	1.94964			-0.00138	-2.92
Interbank S	tering	72 - 3	614 - 512	614 - 513	826 - 876	714 - 612	7% - 7%	Belgium Austria	40.2123 13.7167		1414 3581	-0.007B	-2.66
Sterling CD	8	-		64 - 51	612 - 614	BH - 64	734 - 752	Instance	0.808628			-0.01010 0.002708	-2.61
Treesury Bi	ls .		-	5% - 54	8 ¹ g - 8	-	-	France	6.53883			-0.00208	-1.39 0.41
Bank Bilts				818 - 5%	64 - 64	674 - 674	-	Denmark	7.43679	-	3750	-0.0025	0.68
Local author		816 - 616	5拉 - 5拉	614 - 51	6 ¹ 2 - 6 ³ 8	6월 - 6월	7년 - 7년	Portugal	192,854		.080	-0.132	1.67
Discount M	arket deps	74 - 42	578 - 574	•	•	-	-	Spain	154.250		260	+0.126	7.14
UK clearing	benk base	lending rat	e 6½ per c	ent from De	cember 7,	1994		NON ERM J	ACMBER S				
			Up to 1	1-3	3-8	6-9	9-12	Greece	264.513	205	408	-0.227	11.68
			month	month	months	months	months	thaty	1793.18		1.01	+20.44	12.15
Certs of Ta	v den Æ10	0 000	2	212	84	5 ¹ 2	534	UK	0.786749			0.002649	0.37
1994. Agreed period Dec 1 Jan 7, 1995	d rate for per . 1994 to De	int 5.8155pc. fod Jap 25, 1 ic 30, 1984, S STEERLING	995 to Feb 2 Ichemes IV &	5, 1995, Sch V 6.402pc. I	emes II & 11 7 Finance House	7.71pc. Fieler is Base Rate	ence rate for 6 ¹ 2pc from	for a currency, Ecu central rel (17/9/92) Start	ing and Italian L	um permiti Jra suspen	ad percented from E	tage deviatio FM. Adjustin	ent calculat
	Open	Sett price	_	High	Low	Est. vol	Open Int.	! —	ELPHIA SE	E/\$ OPTI	ONS £31	,250 (cents	per poun
Mar	92.88	92.84	-0.04	92.89	92.77	37336	96245	Strike		— CALL	_		
Jun	92.15	92.09	-0.07	92.16	82.01	36162	68720	Price	Feb	Mex		Apr	Feb
Sep	81.97 91.35	91.60 81.29	-0.07 -0.06	91,67 91,35	81,51 91,20	10154 5176	57776 45888	1.500	7.22	7.32		7.53	-
Dec		Open interes				31/0	40000	1.525	4.83	5.13		5.59	0.06
	UII 20-1. 74	Open susses		previous of	*			1.550 1.575	2.69	3.24		3.87	0.41
									1.15	1.84		2.54	1.32
				=== 000				1.625	0.36 0.06	0.91		1.56	2.98
	21444	Q OPTION	-	Buu,uuu pa	NAMES COL 1000				vol. Calls 3.21			0.88 danča cesan in	5.15 Colle 214
Strike	Ma		LLS		14	PUTS						and a chair a	L, 0205 210
Price		-		Sep	Mar	Jun	Sep				0.00	1 0 2	3. Sexx
9275	0.2			1.10	0.14	0.77	1.25	THEFE.	KONTH EUR	10DOLL)	UR (IMM)	\$1m point	of 100%
9900	0.10			1,06	0.26	0.97	1.46	1	Open	Latest	Change	High	Low
9325	0.04		-	1.03	0.45	1.19	1.68	Mar		93.19	-0.05	83.25	
Est. vol. tota	H, CRES 8110	5 Puts 9122.	rrevious de	rs open int.	CARS 10588	9 Pubs 1045	ga	Jun		92.47	-0.05	92.55	93.18 92.45
								Sec		92.11	-0.08	92.18	92.08
											Ų.VO	92.10	25.00

	Open Go		പണവിവ	Laffer room	Cat 101	Ober air						- P P4		
Aar .	92.88 9	2.84	-0.04 9	2.89 92.7	7 37336	96245	Strike		CA	us			PUTS -	
un				216 920	36162	68720	Price	Feb	· M	85	Apr	Feb	Mer	Apr
Sep		31.60		11.67 81.5		57776	1.500	7.2	2 7.	32	7.53	-	0.12	0.44
Sec		1.29		71.35 91.2	5176	45888	1.525	4.8	5.		5.59	0.06	0.40	0.91
ing traded	on APT, All Oper	ıntereez figi	A. are for pre	vicum day.			1.550	2.69	3.	24 :	3.87	0.41	0.89	1.85
							1.575	1,19	5 1.	84 :	2.54	1.32	2.02	2.69
							1.600	0.36	9 0.	91	1.56	2.98	3.52	4.17
SHOR	T STERLING O	PTIONS (L	JFFE) £500,	000 points of 1	00%		1.625	0.08	3 0.	38 (0.88	5.15	5.47	5.96
ariico		CALLS			PUTS		Previous di	ty's vol., Calle :	3.210 Puts 8	.807 . Prev. (day's open k	t., Calls 214,	67 Puts 248	.550
Hce	Mar	Jun	Sep	Mar	Jun	Sep	_							
275	0.23	0.11	0.10	0.14	0.77	1.25	Miles Carrie		ببحصو			2000		*
273 200	0.23	0.06	0.06	0.26	0.77	1.46	Leng-	E MONTH E	UHODOL	JAR (IMM)	\$1m point	s of 100%		
800 825	0.10	0.03	0.03	0.45	1.19	1.68	1	Open	Latest	Change	High	Low	Est. vol	Open int
_	4.4						Mar	93.25	93.19	-0.05	93.25	93.18		
SC. VOL. IOI	nal, Calls 8116 Put	5 U122. PRO	wone dela d	pen ant. Cass 10	5669 Pubs 1045	94	Jun	92.53	92.47	-0.06	92.55	93.18	148,295 212,526	438,360 387,623
							Sec	92.17	92.11	-0.08	92.18	92.08	105,170	
										0.00	92.10	36.00	100,170	277,813
							1							
				a DATEC	-		B US TE	EASURY BI	LL FUTUR	ES (IMM)	\$1m per 1	00%		
		BASE I	ENDIN	G RATES			Mor	93.84	93.82	-0.06	93.84	93.80	1,920	12,605
	%	_		%		%	Jun	93,14	93.11	-0.06	93.14	93.10	1,333	8,089
Adam 2.0	70 Company 6.2		an Lawrie			,-	Sep	92.75	92.74	-0.08	92.75	92.74	25	
	st Benk6.2		er Casyrie v Senik Limit		orpriðjus Griss		1			-0.00	9514	02.14	23	2,420
	6.2		ciel & Gen B		orporation Limb		All Creen in	derect figs. are	for newton	-				
	stactor 6.2		nt Fleming 2		onger authoriser benking institut			_						
Benk of E	brods 62	25 Girob	enk		ovar Bik of Scot		R EURO	MARK OPT	ONS (LIFE	E) DM1m p	points of 10	00%	_	
	bao Vizcaya 62		ness Mahon .	625 S	nger & Friedlen		Strike		CA	us —			PUTS	
	yprus 6.2		Bank AG 25	arich . 6.25 es	mith & William		Price	Feb	Mer	Apr .	Jun F	eb Ma		Jun
	reland 6.3		oros Bank		98	6.25	9450	0.21	0.24	0.08 0		03 0.06		
	ndla 6.5		ble & Gen in		nited Bk of Kum		9475	0.05				12 0.15	-	0.40
	cottand 6.2		amuel	625 U	nity Trust Benk	Pc 6.25	9500	0.01						0.59
	Bank 6.2		ara & Co		lestern Trust			Ed, Calle 1009				33 0.34	0.79	0.80
	Mid East 6.2		kong & Shan		hisaway Laida	w 6.25	E ENTRO	SWISS FRA	MC ORTH	MARK 4 IEEE	ysopenin	- Cale 1484	00 Puts 1970	7/3
	ipley & Co Ltd .6.2		Hodge Bank		orkahire Bank	6.25		00,00			arr im p	ACHERICA TOU	76	
	VA62		& riqueol, blo				Strike			rs			PUTS -	
	ie Bank 6.2		Benk		Members of Lo		Price	Mar	, Y	n :	Sep	Mar	Jun	Sep
	perative Bank. 6.2		raj Bank Lid		Investment Ban	king	9550	0.24	0.0	8 0	1.18	0.04	0.21	0.57
	Co <u>6.</u> 2		nd Bank		Association	-	9575	0.09			1.09	0.14	0.42	0.75
	mais 6.2		Benking		n administration	1	9600	0.02	0.0		104	0.32	0.65	0.75
Сургиз Р	oputer Benk62	5 Nativ	epininster					ad, Cados D Pul				1005 Day 10	W.DO	0.30
		GROA E	irothers	6.25				_,			New VOECS	· 040 PUB 19	15	
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Guaranteed Dual Basis Floating Rate Notes Bonds due 2002 Misubishi Bank (Europe) S.A. In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of laterest for the period 18th January, 1995 to 18th July, 1995 has been fixed at 4.45 per cent, per annum and that the coupon amount rayables Notice is hereby given that, in accordance with Condition 5(b) of the Terms and Conditions of the Notes, all of the Bonds will that the coupon amount payable on the 18th July, 1995 will be \$220,671 per note of \$10,000,000.



¥30,000,000,000

redeem at the option of the Issuer at their principal amount on February 21, 1985. interest on the Notes will cease to accrue on and after the Redemption Date. BANQUE INTERNATIONALE BILL Principal Paying Agent

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JHTEREST RAT

Sam Morris on

INTERNATIONAL CAPITAL MARKETS

Long-term Treasuries steady as short end falls

By Lisa Branaten in New York and Richard Lapper in London

The Bridge of the View

MITEREST RATES

Long-term US Treasuries held steady in an otherwise declining market yesterday morning amid renewed speculation that the Federal Reserve will raise interest rates again in the next

At midday, the benchmark 30-year Treasury was unchanged at 96%, yielding 7.764 per cent. At the short end of the market, the two-year note was down ± to 100, yielding 7.480 per cent.

Buainess inventorias increased in November for the aighth consecutive month. by the Commerce Department. Seasonally adjusted invento-

The relatively low increase in inventory figures means manufacturers and retailers are not making substantial

GOVERNMENT **BONDS**

increases to stocks of goods and therefore is taken as a sign of relative economic strength. The number fuelled expectstions that the Fed will raise interest rates at the January 31 to February 1 meeting of its Open Market Committee. With investors placing

greater odds on further mone-

A shrinking yield spread is

interpreted as a sign that the market is expecting economic alowing. Yesterday, the spread nar-

rowed from 45 basis points last week to 32 points. Late last year it was as low as 8 basis ■ Fears of inflation sparked by

disappointing retail price figures depressed UK government bond prices. On Liffe the March long gilt future fell to 100% in morning trading. Prices recovered in the afternoon, with analysts pointing to encouraging average earnings tary tightening, the spread data for November. Even so a candidate in France's presi-

spread of gilts over the equivalent 10-year German paper widened to 131 basis points, compared with 124 basis points at yesterday's close, according to J.P. Morgan.

contract closed at 111.12, up 0.44 points on Tuesday's close. In the cash market, Franca cootinues to outperform, with the yield spread of the OAT over German paper narrowing by 3 basis points to 61 points. Analysts said the announcement by Mr Edouard Balladur, the conservative prime minis-

ter, that he intended to run as

■ German bond prices moved upwards in light trading, with the March 10-year bund future on Liffe closing at 89.80, up 0.34 on the day. Volumes, at 108,000, were relatively low.

■ In France, the March futures ■ Italian bonds recovered much of the ground lost in late trading yesterday. The March 10-year future on Liffa closed at 99.38, down 0.12 on Tuesday's close but nearly 1 percentage point up on yester-

day's opening price.
Traders said some of the upward movement had been caused by short covering, following yesterday sell-off. The yield spread of the BTP

over Germany wideoed from 474 hasis points to 482 points. according to J.P. Morgan.

■ The Japanese bond markets continue to be erratic in the wake of Tuesday's earthquake, with investors awaiting firmer news about the financial impact of the disaster.

The yield on the benchmark No 164 bond fell to 4.67 per cent in Tokyo, down 5 basis points on its close on Tuesday, but then rose again in London. In late trading the paper was yielding 4.695 per cent.

The March 10-year futures contract rose by 0.36 points in Tokyo. However, it then fell back in

London, and was trading at 108.10 late in the day.

UK gilt strips market seen as inevitable

By Richard Lapper

A market in UK gilt strips is oow "inevitable" following Tuesday's announcement of the terms of the government's next gilts auction, according to J. P. Morgan, the US investment bank.

The development of a market in strips - paper created when coupons on bonds are traded separately from the principal has been expected for some time by analysts and traders and would form part of moves by the government to modernise and streamline the UK government bond market.

The Bank of Eogland announced that £2bn of oew stock would be auctioned on January 25. The bonds will carry an 8 per cent coupon and mature on December 7 2015, the same day and month as five-year and 10-year gilts issued last year.

Last September, the bank auctioned 10-year stock carrying an S'a per cent coupon and maturing on December 7 2005. In October 1994, the bank followed up with an issue maturing on December 7 2000 carrying an 8 per cent coupon.
In a research note, J. P. Morgan said that "in the past

stocks with matching dates have been rare and typically issued years or decades apart" Mr David Boal, gilt product manager, says the way the dates are matched should make it possible to trade the coupons from separate issues interchangeably, increasing the size and liquidity of a potential strips market.

Two types of zero-coupoo instruments are created by stripping coupons from underlying principal, those based oo the principal itself and those

based on each of the coupons. Demand for them could come from a number of different quarters. As well as speculators, insurance companies. offering annuities products, and some pensioo funds, which are interested in the income rather than capital appreciation, would be likely to show

interest, for example. Users would probably be prepared to pay more for the strips than for the underlying bond, reducing costs to the

The sum of the prices they are prepared to pay for the individual components of a stripped bond may be greater than the price that the bond would command in a market where bonds are not stripped." savs Mr Boal.

Several governments already offer stripped boods to inves-tors, including the US, Canada, and France.

The introduction of a strips market requires two reforms, suggests Mr Boal. First, the Bank of England would need to implement commitmeets to introduce a market for gilt repurchase agreemeots. Second, the tax authorities would need to modify rules on the taxation of gilts in general and

of deeply discounted boods. Meanwhile, demand for the new 8 per cent 2015 gilt is also likely to be buoyant because of the duration of the bond which provides a measure of the security's overall sensitivity to changes in interest rates.

"When the 8 per cent 2015 becomes strippable, each of the cashflows beyond 10.5 years will have a longer duration than can be accessed through any other gilt," said Morgan. "The note will be in demand and will remain in demand."

8.93 8.66 8.83

5,82 6.41 8.45

Jan 18 Jan 17 Yr. ego

European Investment Bank yen offering well received

The European Investment Bank brought its deal in yen to the euromarkets yesterday, in spite of the Japanese earth-

quake.
The earthquake is expected. to result in the Japanese government issuing bonds to pay for the damage. One syndicate manager said: "That would make the (bond) supply situa-tion worse." Furthar, the increase in spending may provide a boost to the economy.

However, in spite of these concerns, the EIB's Y75bn sixyear offering was reported to hava gone well by book-runner Nikko Europe.

The deal was unlisted, which means Japanese investors need not book any losses on the bonds at the year-end, a pro-cess known as "marking to market". This makes unlisted bonds attractive to investors and makes a difference of

WORLD BOND PRICES

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BENCHMARK GOVERNMENT BONDS

The 10-year, \$1bn global deal, callable after five years, for the US Federal National Mortgage Association (Fannie Mae) was priced yesterday, at par and with a coupon of 8.5 per cent. The bonds were offered at a

INTERNATIONAL BONDS

books Lehman Brothers and Merrill Lynch reported very strong demand.

spread of 80 basis points over the relevant Treasury and joint

The issue was sold to 100 investors, and 35.5 per cent went to investors outside the US. Other houses reported that the bonds had sold well, although callable issues were not well known outside the US. One house not involved in the deal said: "It seems to have

gone well but I can't see why."

around 10 to 12 basis points on However, there has been a five month process of explaining callable bonds to investors.

Mr Jim Quigley, global debt syndicate manager for Merrill Lynch, said the spread had tightened in from 80 to 78 after

Ms Linda Knight, Fannie Mae's treasurer, said: "This is an excellent result with our first callable, and it shows this market can be developed over

Fannie Mae has started a service on Bloomberg, tha onscreen information service, to allow investors to see the price of issues from the agency's \$20bn debt programme and to analyse the effect of changes in interest rates and volatility for the callable bonds.

Ford Credit Europe brought callable £100m deal through NatWest Capital Markets, which structured the floatingrate notes to encourage investors to switch out of the recent-

■ BUNO FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Sorrower US DOLLARS	Amount	Coupan %	Price	Maturity	Fees %	Spreed bp	Book runner
Korea Development Bank	500	(a)#	(a)(R	Jan.2001	0,30R	(a)(WI 5yr)	CSFB/ Salomon Brothers
YEN Europeen Investment Bank*	75bn	4.25	100.04R	Feb.2001	0.275R		Nikko Europe
STERLING Ford Credit Europe(b):	190	(b1)	99.77R	Feb.2000	0.159	-	NatWest Capital Markets
D-MARKS							
DSL Finance	500	7.37S	100.06R	Feb.2000	0.26R	+15(7%-99)	JP Morgan
Sudwest, LB Cap.Mkts.(c) Soc.Gén.Acceptance	500 200	7.125 7.26	99.65R 99.75R	Feb.1999 Feb.1999	0.225R 0.225R	+6(5%%-99)	CSF8 Effectenbank/SBC Ftr
LUXEMBOURG FRANCS							
Eurofima	3.5bn	B.25	101.875	Mar.2005	1.875		StL/ Crédit Européen
SWISS FRANCS							
NEC Corpid)+§	500	1.00	100.00	Mar.1999	1.0		Swiss Bank Corp.
Bayerische Hypobenk	100	5.50	102.65	Mar. 1999	1.50		Memil Lynch Cool.Markets
Daimler Benz North America	100	S.375	102.60	Feb.1998	1.50		Credit Suisse

ly-issued Britannia Building Society bonds brought via Kleinwort Benson and pick up 4 basis points.

Both deals are from financial institutions and are 20 per cent weighted for capital adequacy purposes, NatWest said Ford paper denominated in dollars was trading around Libor plus 28 basis points in the secondary market, and coming in sterling allowed it to offer Libor plus 15 on the coupon. It is believed that the proceeds were not swapped. NatWest noted strong demand from European banks for the fiveyear bonds, which have a call

option at year four. Three issuers tapped the D-Mark sector, although swap opportunities have not been good recently, leading to a dearth of non-German entities bringing deals in the currency.

FT-ACTUARIES FIXED INTEREST INDICES

-0.22

against highly competitive bids. The other deal was for DM200m for Société Générale Acceptance. Sudwest LB Capital Markets raised DM500m through joint books CS First Boston and SBC

J.P. Morgan handled two of

the D-Mark deals yesterday.

The larger was for DM500m for

DSL Finance, It is believed

J.P. Morgan won the mandate

-- Low coupon yield -- -- Medium coupon yield -- -- High coupon yield --Jan 18 Jan 17 'Yr. ago Jan 18 Jan 17 Yr. ago Jan 18 Jan 17 Yr. ago 0.90 S yrs 0.00 15 yrs 1.19 20 yrs 0.00 lmed.† 8,67 8.83 8.67 8.64 1.62 2.78 Jan 18 Jan 17 Yr. ago

4.08 3.90 Up to 8 years (2)

FT FIXED INTEREST INDICES

Price Indices UK Gitts

1 Up to 5 years (23) 2 5-1S years (22) 3 Over 15 years (8) 4 tradeamables (6)

GILT EDGED ACTIVITY INDICES

Jan 15 Jan 17 Jan 18 Jan 13 Jan 12 Yr ago Hight Low* Jan 17 Jan 18 Jan 17 Jan 18 Jan 18 Jan 18 Jan 19 Jan 19 Jan 18 Jan 19 Jan 1 88.5 91.0 80.4 78.7 85.8 84.9 85.0 84.2 83.7 85.1

### 17.00 10	Australia .	Coupon Date	Price change	Yield ago	Month ago	Price	Feb	Mar	Apr .	Jun: Fe	do Ma	r Apr	Jun
## STATEMENT RATES ## PART RATES #	A company of the Comp												1,30
TROY 1, 200 104 4, 105 105 105 105 105 105 105 105 105 105	Belgium	7,750 10/04	95.4100 +0.260	8,45 8,49	8.24								
THE PAY NOT COLOUR 14-120 (1947) 1-12 (194	Carteda *					Est, vol. total,	Calls 1254	8 Puts 16031	. Previous d	tay'a open in	L, Calls 202	952 Puts 12	4034
## PATTERNESS AND OPTIONS 10	Tence BTAN	8,000 05/98	101.0700 +0.190	7.60 7.81	7.27	Italy							
March Marc	ermany Bund									7 FUTURE	\$		
Mary 11	elenct					(r)H-HE), I							
Miles 100 10		4,800 06/99	103,5280 -0.080	3.87 3.95	3.91	Mor							
April							34.30			20.00	10.00		
Section Column	ortugal	8.875 01/04	88,5000 -	11.64 11.64 1	11.57	W ITALIAN	GOVT. BO	MD (BIF)	FUTURES	OPTIONS (LIFFE) Litra	200m 100t	hs of 100%
Color												PUTS -	
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20	S Treesury *	7.875 11/04	101-04 +5/32	7.71 7.82	7.80								3.22
Table	CLI (French Gowt)					Est. vol. total,	Calls 1622	Puta 959. Pr	ENOUS CEA	open int., C	abs 21096 i	Puta 20483	
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S INTEREST RATES SINTEREST RATES SINTE			cers balance by norseen		nemetional								
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SECTION PARTIES PART						MOTION						E-4I	A I-4
Control Cont	S INTERES	F RATES				Mor			_	_			-
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Mar	difunds	575 Sibr morets —	6.49 10-t	MARIE .	7.69		Open	Sett price	-				Open Int.
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Softe													
OND FUTURES AND OPTIONS 101													
102						Price							
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Copen Set price Copen High Low Est vol. Open Int.	rance												
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CALLS							80.78			61.08	80.56	3,254	
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INVESTMENT TRUSTS - Cont.

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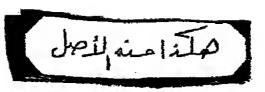
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LONDON SHARE SERVICE INVESTMENT TRUSTS - Cont.

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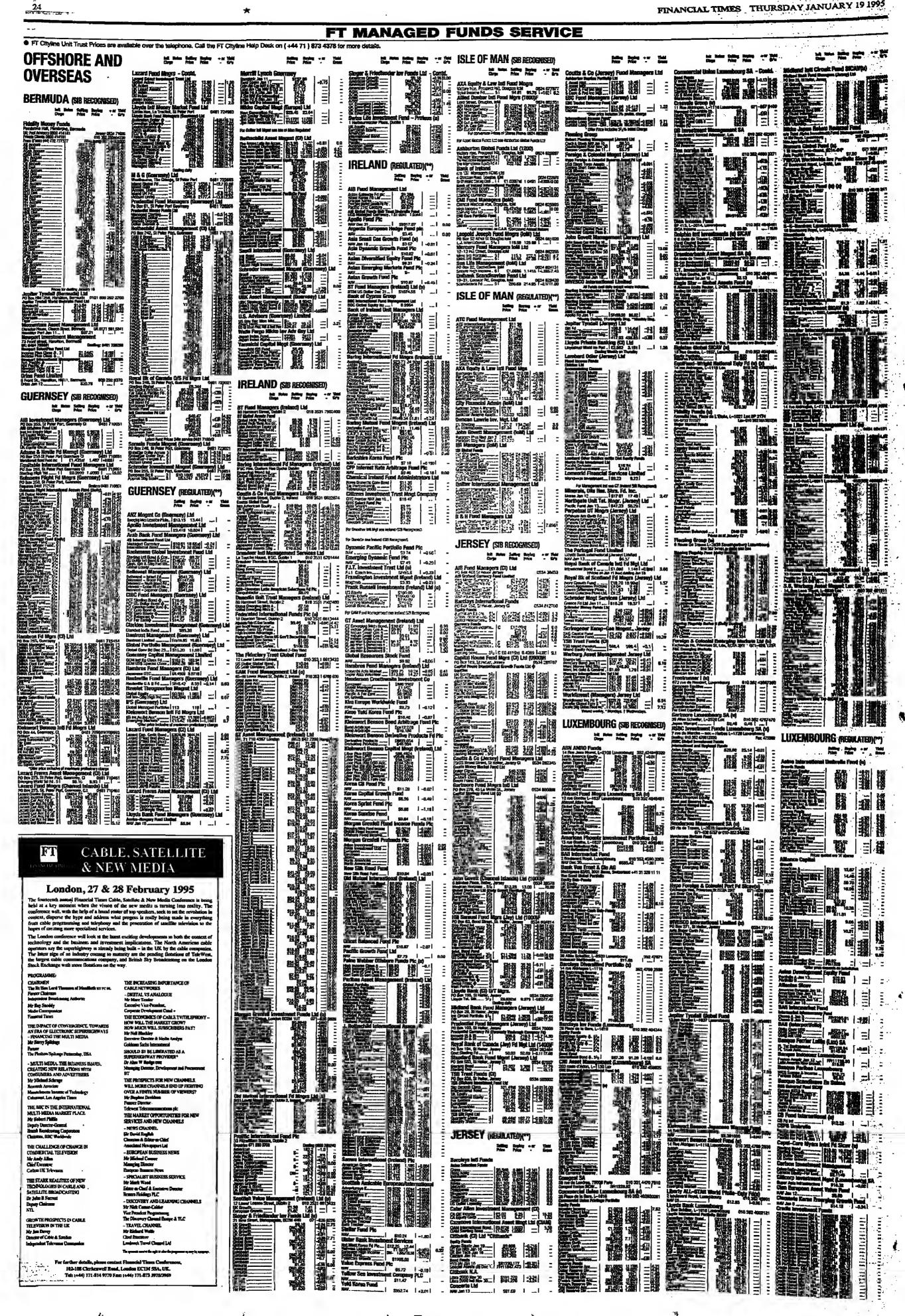
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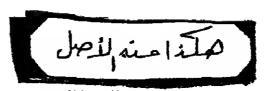
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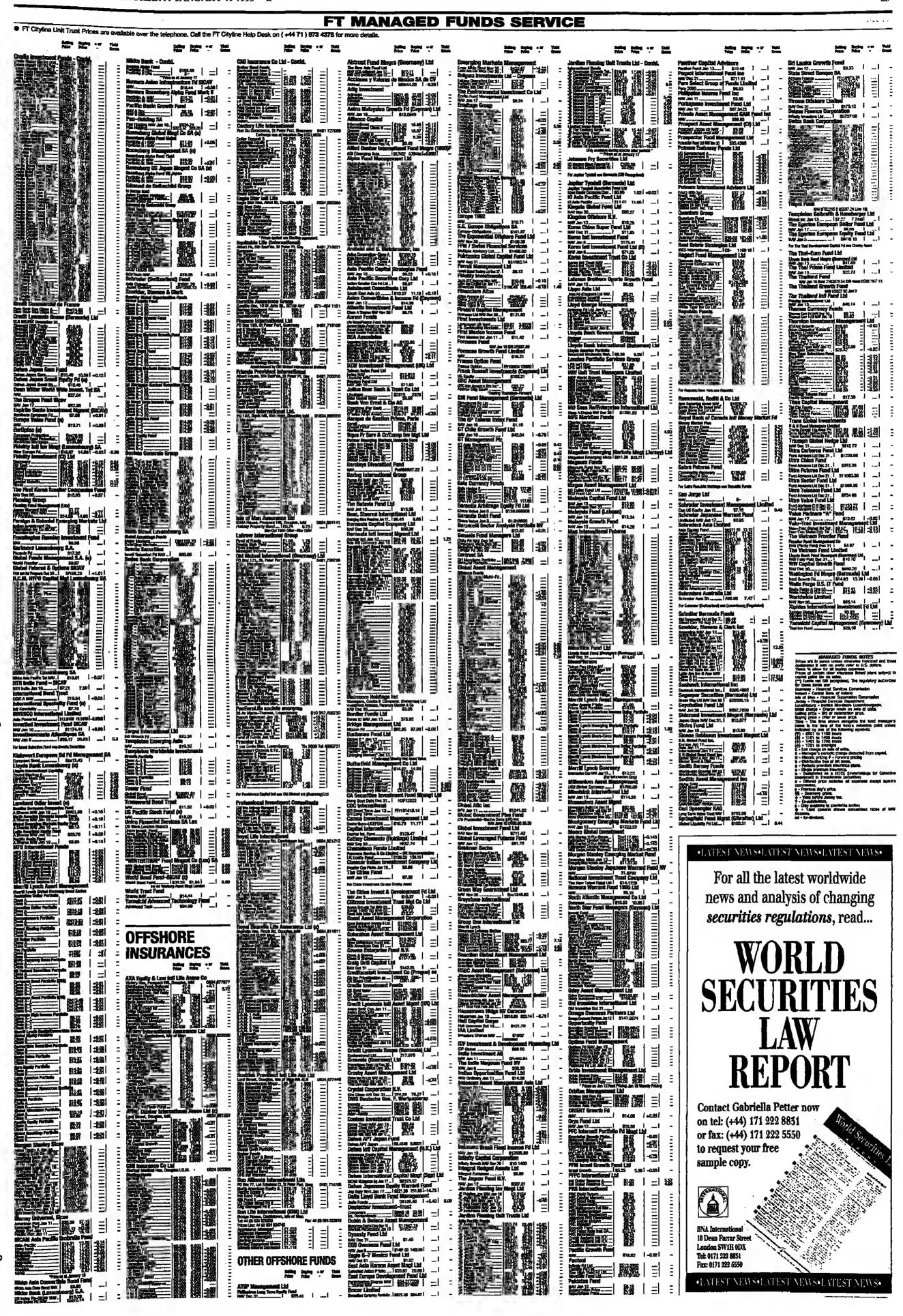
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LONDON STOCK EXCHANGE

MARKET REPORT

Shares recover in spite of poor RPI numbers

A relatively successful performance by UK equities yesterday in the face of somewhat negative economic developments failed to convince the market professionals that the mood has changed. Most saw the market continuing to trade within its existing range as it digests this week's heavy list of global economic statistics.

The FT-SE 100-share Index edged into positive territory at the close, helped by a rally in the bond markets; at its final reading of 3,054.9, the index was 0.5 up. The FT-SK Mid 250 Index shed 1.6 to 3,465.

Prospects for domestic interest rates, which have dominated the market since the turn of the year, turned negative again following the

rise of 0.5 per cent in the headline December retail price index. "This makes a base rate rise before the end of the quarter virtually inevitable," said one leading analyst.

Interest rate worries were not helped by confirmation that the Halifax Building Society, Britain's largest home loan group, will raise mortgage rates today, although by less than ½ percentage point, according to the society. Such a move would be largely a catch-up rise for mortgage rates rather than an indication of new pressures, but would do little for the battered con-

fidence of British consumers. Both bonds and equities fell on the RPI news, the Footsie dipping just over 10 points at the day's low. The retail data was balanced by a slight moderation in November

sures on wages are strengthening.

Reports, originating in the futures markets, that the Bundesbank plans to trim German interest rates today helped to calm nerves, although London analysts believed that interest rate policies in the UK will be driven by domestic considerations.

The rally in equities in the second half of the session brushed off a dull opening on Wall Street, where the Dow Average was nearly 20 points down in UK trading hours. Traders claimed that share prices were helped by share option expiries in the derivatives markets, where the prospect of the expiry tomorrow of an index option was also a factor. A buy programme from a UK bank was also noted as shares advanced.

The recovery came mostly in the

was boosted by a rise in S.G. Warburg on a new wave of bid rumours, a US or a German bank was thought to be a likely bidder. There was a steep rise in Mercury Asset Management, the subsidiary which proved the stumbling block in Warburg's merger talks with

Other merchant banking and allied stocks moved sharply as the market assessed the implications for the sector of a successful bid for Warburg.

Morgan Stanley.

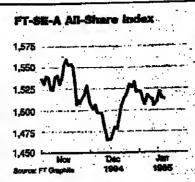
The market's bopes of benefit from the Christmas retail season received a further blow from a disappointing trading statement from Kingfisher, one of the leading high street store groups. This morning will bring the official UK retail sales statistics for December, and

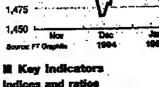
average earnings levels, although blue chip stocks, and the Footsie the stock market also awaits trad-analysts warned that upward pres- was boosted by a rise in S.G. ing news from Marks and Spencer, the brightest star in the retailing sector.

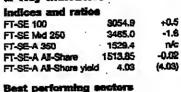
> Trading volume of 606.6m shares through the Seaq system yesterday compared with 520.2m in the previous session when retail, or genuine customer, business in equities remained solid at a worth of

> Traders appeared to be becoming increasingly nervous regarding the near term outlook for the UK equity market. Since the turn of the year, share prices have traded steadily within a narrow range and resisted uncertainty on the interest rate

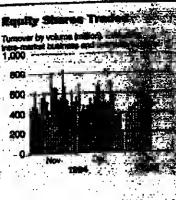
> Strategists believe that the market is now close to a break-out point; however, views are polarised between optimism and pessimism.







Best performing sectors Banks, Merchant Retailers, Food ... Household Goods +0.8 +0.7 Extractive inds



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FT-SE 100 Fut Mer		3065.0	. 2.0
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3	Tobacco			1.2
4	Spirits, Wines & Cider			1.0
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Warburg on alert again

S.G. Warburg, regarded by many as the UK's premier merchant bank, and its 75 per cent owned fund management associate Mercury Asset Management, posted two of the higgest gains in the market as rumours of imminent corporate activity involving the two groups circulated in the City.

Morgan Stanley, the US investment bank, held merger talks with Warburg last month, but these hroke down as the groups could not agree on a price for the Mercury

Dealers said the usual suspects were trotted out: HSBC. Deutsche Bank, JP Morgan and Dresdner Bank. Deutsche Bank, rumoured to be preparing a rights issue to fund a bid. quickly denied the stories while JP Morgan declined to Specialists refused to rule

out predatory moves against Warburg/Mercury and pointed to the unusually high levels of activity and big moves in both stocks. "This was not simply an amateurish attempt to ramp the shares," said one dealer, who added that it was the Mercurv share price that moved up first yesterday, triggering the surge of rumours in Warburg. Analysts said any bid for Warburg would have to be in

stand any chance of success. given that its asset value alone stands at 800p-plus. A reasonable exit price for Mercury was said to be in the region of £10.50. It was pointed out that a bidder could easily introduce big cost savings at Warburg, similar to the cuts made only last week when Warburg shut down its eurobond department,

saving around £25m a year. S.G. Warburg shares raced up 41 to 737p, on heavy turnover of 2m. Mercury shares leapt 52 to 748p on turnover of Llm

The excitement sweeping through the merchant banks area saw Kleinwort Benson, perceived to be another prime takeover target in the sector. surge 29 to 576p with 1.4m shares changing hands.

Kingfisher gloom

Stores group Kingfisher was by far the hardest hit stock in the Footsie list yesterday. The shares fell heavily on record turnover, and analysts cut forecasts in response to the company's latest trading statement. The statement poured fuel on a bear story which has seen the stock plummet 40 per

cent over the past 12 months. Kingfisher said Woolworths was expected to post a shortfall of around a third in operating profits against the last full year, and it reported a 10.6 per cent fall in like-for-like sales at Comet.

Analysts downgraded forecasts from a range of £310m to £330m this year to below £300m

the region of 950p a share to and Kingfisher shares dropped 19 to 402p with turnover reach-

ing 15m. S.G. Warburg, one of the house brokers, is believed to have taken the stock off the buy list, although the relevant analyst was unavailable for comment. And BZW, a long standing seller of the stock, moved to £280m from £315m previously.

Mr Tony Shiret, of BZW, said that despite the sharp slide the shares have underperformed the FT-SE All-share index and the sector substantially on a one and two-year view - he saw no reason to turn more positive. "We do not feei the fundamental problems regarding competitive vulnersbility in two or three core businesses have been addressed,"

BAe strong

British Aerospace bounded ahead by 91/4 to 4601/4p in 5.9m turnover following confirma-

Submarine maker VSEL gained a further 13 at 1463p for a five-day advance of almost 6 per cent. Bids for VSEL from BAe and electronics giant GEC await a mid-March monopolies ruling. Despite vesterday's gain, VSEL stands at a 71%p discount to the value of BAe's all-share offer.

tion that it was about to final-

ise a turbo-props link with

ATR, a joint venture between

Aerospatiale, of France, and

Alenia, of Italy.

Steel in demand

British Steel roared up the Footsie activity charts following upbeat comments by the company on steel prices and volume at a dinner with analysts on Tuesday. The day's volume was 23m, including five deals totalling 12m shares.

Sentiment was further buoyed by yesterday's results statement from Thyssen Stahl. The German steel giant sees steel prices rising by 4 per cent

FINANCIAL TIMES EQUITY INDICES

	Jan 18	Jan 17	Jan 1S	Jan 13	Jan 12	Yr ago	1 Sqt	Low
Ordinary Shere	2336,1	2345.0	2365.8	2345.6	2338.4	2654.1	2713.6	2240.8
Ord, div. yield	4.47	4.48	4.42	4.46	4.47	3.52	4.61	3,43
Earn. yks. % full	6,58	6,54	6,48	6,54	6.56	3.98	6.75	3.B2
P/E ratio net	17.64	17.69	17.85	17.70	17.65	31,69	33.43	16.94
P/E ratio rall	17.09	17.13	17.2B	17.14	17.09	29.37	30.80	16.67
For 1994/5. Ordina FT Ordinary Share I	y Share in	date 1/7/	compilatio 35.			194; Ican 45	4 26/6/40	

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	Jan 18	Jan 17	Jan 16	Jan 13	Jan 12	Yr ago
SEAQ bergains	20,014	21,188	21,244	19,430	19,770	49,145
Equity turnover (Contt	_	1218.4	1227.7	1248.0	1312.9	2632.5
Equity bargainst		29,244	29,572	26,334	27,587	54.8-2
Shares traded (mil)†		561.4	581.7	590.7	669,7	1131 8

in the 1995 third quarter and this plainly reinforced the London market's optimism. British Steel finished 3% higher at

155¹-p. The composite insurers picked up well after an uncertain start, helped by news that Direct Line, Royal Bank of Scotland's direct selling insurance subsidiary, had decided not to cut its motor insurance

TeleWest, the cable television group, ran up 5 to 180%p ahead of news expected shortly of subscriber and other operational figures.

The water issues were given a rough ride after the utilities team at BZW was said to have taken the sector off its huy list, shifting it to a hold,

The worst performers in the sector included Welsh, down 17 at 610p, Northumbrian, off 12 at 700p, and Yorkshire, 9 lighter at 505p, all of which were said to have been labelled sells Exhibitions and conference

company Blenheim plunged 35 to 199p after warning on 1994 year-end profits. Analysts said BZW, one of the company's hrokers, cut its forecasts for the group by 22m to £33m. Television group Sunset and Vine moved forward 6 to 126p

tract to cover UK cricket for BSk; B. Pharmaceuticals group Wellcome, bard hit by the failure to get US provisional approval to sell its anti-herpes treatment

after a subsidiary won the con-

■ FT-SE Actuaries All-Share

FT-SE-A 350 FT-SE-A 350 Higher Yiek FT-SE-A 350 Lower Yield

10 MINERAL EXTRACTION 12 Extractive Industries(7)

18 Oil Exploration & Prod[15]

21 Building & Construction(38) 22 Building Matte & Merchs(32)

20 GEN INDUSTRIALS(279)

26 Engineering(72) 27 Engineering, Vehicles(13) 28 Paper, Pokg & Printing(26) 29 Textiles & Apparal(21)

30 CONSUMER GOODS(95)

31 Brawertes(18) 32 Spirits, Wines & Cidera(10)

34 Household Goods(10) 36 Health Care(18) 37 Pharmaceuticals(13)

40 SERVICESIZZI

51 Other Services & E ED UTILLTIES(S7)

65 Water(13)

Ges Distribution(2)

68 NON-FINANCIALS(867)

80 INVESTMENT TRUSTS(133) 89 FT-SE-A ALL-SHARE(918)

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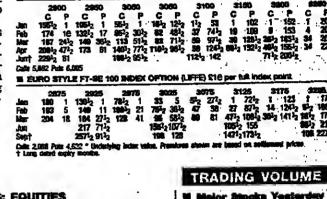
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% to 243%p in 9.5m turnover. The two-way pull in Tomkins left the shares 11/2 better at 233%p on 5.8m traded, with Robert Fleming confident about the group's operating margins and recommending a buy but Williams de Broe more cautious, urging a sell into

Leading brewer Bass was also a switch beneficiary, gaining 6 at 520p in modest turnover at the expense of Guinness, which dipped 8 to 420p on 7.3m volume as S.G. Warburg downgraded its profits estimate by £10m to £905m.

MARKET REPORTERS: Steve Thompson,





IN FT-SE 100 INDEX PUTURES (LIFFE) \$25 per full Index point

Sett price . Change

IN FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full ladex poir

IL FT-SE 100 INDEX OPTION (LIFFE) ('3005) 210 per full index point

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	54.9 65.0			3076.7 3473.9			3.65	7.27 5.29	16.25 18.96		
34	75.5	-0.1	3477.5	3484.2		4160.7	3.80	6.80	17.67		
15	29.4	****	1529.4	1538.7	1526.8	1760.6	4.09	7.05	18.50	1.63	1196,16
	61.8 96.8	+0.1	1500.8 1498.0	1575.0			5.1e 3.07	7.50 8.58	15.94 17.78		
	0.18		1740.40				3.32	6.31	19.83		
171	7.67		1716.00	1719.BD	1718.37	1977,35	3.52	7.08	18.02	1.21	1348.D0
151:	3.85		1513.87	1522.47	1511.59	1743.78	4.03	6.99	17.01	1.56	1204.0
HAL		Day's				Year	Div.	Earn	P/E .	Xd ed	fi. Total
Jan			Jan 17	Jan 18	Jan 13	Bg0		ylekt%	ratio	ytd	Return
268			2671.97				3.53	5.08	24,88		
3600 266	2.95		3577.02				3.36	5.40	22.89	0.00	
157			2672.26 . 1879.05				3.66 2.60	5.64	22.06 ##		
184			1846.63				4.22	6.76	20.75	_	
	5.31	+0.5	960.12	956.92	957.B3	1508.78	4.02	6.33	20.75	0.22	
175	1.30	-0.2	1755.36	1759.72	1747.04	2380.48	4.27	8.19	19,46	0.00	633.48
1600			2283.14 : 1811.26 :				4.13 5.21	4.75	26.15		
190			1904.36				3.98	8.35 6.70	18.16 17.75	0.00	
177	7.47	+0.4	1769.54	1770.47	1764.34	1907.41	3.40	5.50	21,32		1024.67
2122		-0.4	2131,48	2134.54	2124.41	2408.47	4.71		80.001	0.00	1039.23
1518			2809.36 : 1 518.3 1 :				3.13	5.74 6.46	20.19	0.00	1110.64 989.55
2780	_		2795.29				4.32	7.27	15.99	7.07	972.89
2208	3.68	+0.5	2197.54	2212.81	2168.90	2464,52	4.33	8.09	14.90		
2574		-1.0 2	2601.02	2647.80	2624.51	3085.97	4.43	7.40	15.62	25.80	679,00
2306 2437			2314.75 2 2418.36 2				4.23 3.65	7.82 7.40	15.57 16.28	3.92	
1567		-0.21	1570.68	1576.05	1565.79	1908.13	3.18	3,53	39.44	0.45	883.16 915.43
3321		+0.5	3304,49 3	3332,39	3317.22	\$247.23	4.05	6.43	17.99	0.00	
3760	_		805.23				5.72	8.88	11.27	0.00	857,74
1873 2488			875.74 1 2494.62 2				3.35	7.17	16,84	2.00	929.72
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2711	.85	-0.5 2	724,33 2	726.98	2697.25	3160.29	2.59	5.66	20.65	1.78	944.86
1785 1548			766.83 1				3.68	8.93	13.74	1.85	1078.52
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2220	.39	-0.12	228.99 2	239.16	245,47	2765.18	3.82	6.56	17.96	0.37	879.51
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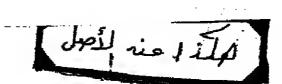
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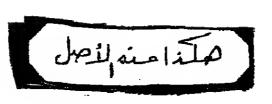
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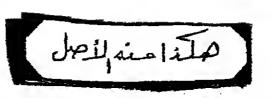
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after Beige Book news

Wali Street

US shares gave hack recent gains yesterday morning as investors took profits, writes Lisa Bransten in New York.

By lpm, the Dow Jones Industrial Average was down 15.14 at 3,915.52. The Standard & Poor's 500 lost 1.15 at 468.90 and the Nasdaq composite 2.12 at 770.02. The American Stock Exchange composite firmed 0.64 to 439.73. NYSE voltime was 196m shares.

Since last Thursday the Dow had gained more than 71 points, after weak economic that the Federal Reserve might not raise interest rates at its January 31 meeting of the open

Before last week there was a near-universal consensus on Wall Street that there would be a further round of fiscal tightening following the meeting, although there was some debate about how high the Fed might lift rates.

New data out this week, however, has shown that the economy remained strong and that the pendulum has swung back in favour of another rate increase. The Beige Book, a summary of economic activity. released yesterday described the economy as "vibrant around much of the nation in

recent months". Business inventory figures for November, also released yesterday hy the Commerce companies would continue to increase production and add to the strength of tha current recovery. In November, business inventories grew by 0.7 per cent, while sales jumped by

Also driving the market yesterday was another round of earnings reports. Pfizer moved ahead \$1 to \$78% after reporting higher than expected net income. Other companies thet announced earnings higher West, up \$14 at \$35%, Morton and Boise Cascade, unchanged

Shares of AMR, the parent company of American Airlines. lost \$% to \$58, although the company's earnings increased in 1994 compared with 1993. BankAmerica, down \$% at

\$41%, and Sysco, off \$\% at

\$26%, both lost ground in spite of reporting earnings substantially in line with expectations. Kmart, which put on \$% at \$14%, added to the gains made on Tuesday after the retailer announced that it would replace Mr Joseph Antonini as chairman. Mr Antonini will stay on as president and chief

Union Pacific lost \$% at \$48% after the railroad company its bid for Santa Fe Pacific to \$181/4 a share or \$3.6bm. Shares of Santa Fe gained \$% at \$18%

Geoeral Motors lost \$1 to \$40% after a strike broke out at a parts plant, threatening a repeat of a strike last summer which brought production at several of the car plants to

Mexico

Share prices fell in early trading, pressured by some profittaking and negative reaction to a less than expected fall in interest rates at the central

bank's weekly auction. The IPC index was off 36.02 or 1.6 per cent at 2,173.47 in low

At the auction the rate on the henchmark 28-day Cetes fell by 100 basis points to 39 Of 37 shares traded, 24 rose and three fell.

Shares in São Paulo were off 3 per cent at midsession, wiping out most of Tuesday's gain, as a bout of profit-taking took

The Bovespa index was down 1,287 at 40,811, in turnover of

investors were waiting for a

in the session on a bill regula-

ting government concessions

of public services to state and

private companies. This would

determine whether or not the

privatisation of the electrical

sector would be speeded up,

In Buenos Aires the Merval

index was off 2.6 per cent by

noon, with most investors also

choosing to book profits after

Toronto was mixed at midday

as surging gold prices sparked

a rally in precious metal

shares and restrained losses in

other sectors. The TSE 300 was

up 8.76 at 4,156.31 by noon in

The golds index led gains in six of the market's 14 sub-indi-

ces as Barrick picked up C\$%

Weak sectors included trans-

Alcan Aluminium rose C\$%

C\$38 in a positive respons

Slocan Forest Products lost

to the company's return to

C\$1/4 at C\$15%, with analysts

noting that the company's stiff

resistance to Canfor's bid had

take the edge off early gains

shares. However, selective

local selling meant that indus-

trials failed to benefit from the

The overall index added 5.9

to 6,668.0 and the golds index

De Beers moved forward 75

cents to R93.75. SAB declined

75 cents to R93 and Vaal Reefs

5,520.9, industrials fell 64.4

generally positive mood.

firmed 56.5 to 1,810.1.

advanced R12 to R345,

gold and mining-related

put the takeover in doubt

SOUTH AFRICA

port, communications, real

estate and merchandising.

profit in 1994

volume of 30.5m shares.

Telebras preferred was down

analysts said.

recent gains.

1.7 per cent at R\$34.

nate vote scheduled for later

Profit taking hits Dow Bourses recover from earlier weakness

With variations, recovery after weakness seemed to be the theme of the day, writes Our Markets Staff.

MILAN was volatile, sinking 3.3 per ceot in early trade in response to what appeared to be an increasing intractable political situation. But subse quently, prices picked up to finish 1.5 per cent higher amid indications that Mr Silvio Berlusconi, the outgoing prime minister, might offer support. albeit temporarily, to enable the new administration of Mr Lamberto Dini to survive.

The Comit index registered a fall of 13.39 to 657.96 but the real time Mihtel index finished 157 higher at 10,761, after a low

of 10,268. Turnover was estimated at around L1,300hn, down from the levels of the previous two days hut more than double that seen in recent weeks; this, said an analyst, indicated buying by foreign and domestic vestors during the session.

Fiat saw strong demand late in the day, picking up from a low of L6,325 to finish L113 ahead at L6,630 in volume of heavy volume of 82m shares.

31.6m shares. Generali rose L360 to L39,887, and Montedison was L31 higher at L1,345 in PARIS recovered its composure after midsession turhuannouncement might taka lence, and the CAC-40 index hetween one and two years.

FT-SE Actuaries Share Indices Open 10:30 11:00 12:00 13:00 14:00 15:00 FT-SE E-mittack (O) 1719 Rt 1720 26 1720 27 1720 28 1720 08 1720 08 1720 08 1721 10 1724 11 1727 00 Jan 17 Jan 16 Jan 13 1332.54 1389.97

ended 3.33 up at 1.860.27, after a low of 1.843.51.

Mr Edouard Balladur's confirmation that he would contest the presidential election falled to excite a great deal of interest; an announcement had been expected for days.

Peugeot was the day's main feature on a report which said that it was considering a return to the US car market, which it left in 1991.

With a suggestion that

investment could reach a maximum of \$4bn, the shares fell heavily at the start of trade, touched a low of FFr708, recovered slightly and closed off FFr13 or 1.7 per cent at FFr726. Mr François Colli, European motor analyst at Parihas. remarked that, in his view. speculation that the group might make a decision on its investment plans by May was unfounded. He thought a final

which would mean investment potentially commencing in 1998/1999. For the short term, Mr Colli

maintained his positive stance on the group, given the quality of the current product range, the huge improvement that had been seen in recent years in productivity and the strength of its financial position. Among other stocks in the sector, Renault lost 70 centimes at FFr176.80. Michelin moved ahead 60 centimes to FFr207.50 and Valeo declined

FFr4.50 to FFr252.10. ZURICH picked up from the day's lows as the market digested 1994 sales figures from Roche, and the SMI index finished 10.8 firmer at 2,593.6.

Investors initially gave a muted response to Roche's announcement that last year's sales rose by 3 per cent in Swiss franc terms, with the strength of the franc depressing a foreign currency gain of

the shares improved to close SFr80 ahead at SFr6.325 as analysts drew attention to a strong performance from existing pharmaceutical product lines. before acquisitions.

Ascom, the telecommunications group, jumped SFr75 or 6.3 per cent to SF11,260, as the company confirmed that it expected to report a return to profit for 1994 following losses of SFr336.6m in 1993 and SFr46.4m in 1992.

FRANKFURT was rescued in the afternoon by a rally in bund futures. After easing 5.02 to 2,078.05 during the official session, the Dax index recovered to an indicated 2,085.62 in the post bourse. Turnover fell from DM5.9bn to DM4.8bn. In a strategy review, Hoare Govatt indicated that the

German equity market was trapped hy its relative strength: a prospective p/e ratio of 172, the broker said. should be reduced to 15.5 at the end of this year even if the Dax rose to 2,250; but on this basis, the market offered no more than fair value.

Among significant individual stock moves, Continental, the tyremaker, advanced DM4.70 to DM233.70 on the back of price increase hopes, said Mr Christopher Will at Lehman Brothers; and SAP, the computer software group, climbed DMSS or 5.8 per cent to a new 1994.95 peak of DM1,148, up 222

per cent from its 1994 low point of DM355. AMSTERDAM notched up a

nodest gain, the AEX index dding 0.56 at 414.45. Philips continued to attract attention following a number of brokers' upgrades, with the shares appreciating 50 cents to F1 11.10. DSM, the chemicals group, improved 60 cents to Fl 141 and, after the close,

china i

MADRID thanked a recovery In bonds and a slight rebound in the peseta as the general index rose 0.32 to 282.22; turn-over was low at Pta19.64bn.

amounced that 1994 pet profits were likely to exceed F1500m against earlier projections of

TEL AVIV swong with the bureaucratic wind. After rising on Tuesday when an income tax commissioner said that implementation of the new capital gains tax on bourse transactions might have to be postponed, the Mishtanim index fell 4.76 or 2.9 per cent to 160.08 yesterday after an overnight statement from the Israeli treasury that there would be no delay.

Written and edited by William

Constructions in demand after Kansai quake

It took afternoon profit-taking and a strong financial rand to Volume soared in the aftermath of the Kansai earthquake, hut selling on rallies and profit-taking offset gains from continued hrisk demand for construction related stocks, and the Nikkei 225 average ended fractionally lower, agencies report.

The index was off 18.01 at 19,223.31 after a day's high of 19,321.36 and low of 19,201.10; hut hrokers, whose own share prices have been depressed by the lack of equity husiness, were relieved that volume soared to an estimated 340m shares from Tuesday's 210m, hoping that it was the beginning of a trend. Falls led rises by 574 to 423, with 151 issues unchanged. The Topix index of all first section stocks dipped 3.74 to 1,499.46 and the Nikkei 300 lost 1.10 at 275.54. In London the ISE/Nikkel 50 index firmed 2.38 to 1,237.72.

All of the first section's 10 most heavily traded stocks were related to the earthc theme. Seven were construction companies, one a cement maker, Sumitomo Osaka, one a glass manufacturer, Nippon Sheet Glass, and the last a nonlife insurance company, Nissan F&M Insurance.

Ohayashi and Okumura. hoth based in Osaka near the hardest hit port city of Kobe were again the day's most active stocks, rising Y25 to Y710 and Y70 to Y870 for gains of 11.3 and 18.5 per cent since the earthquake struck.

Buyers were principally indi-

vidual investors and dealers. Sellers hit Mitsubishi Electric which had five of its factories damaged and fell Y24 to Y665. Daihatsu Motor, whose Osaka production was badly affected by the quake damage, shed Y28 to Y555. Osaka Gas, which halted gas supply to Kobe and other cities in the region, edged down Y3 to Y381. Meanwhile, the OSE average fell 66.40 to 21,0433.32.

Local

Indiax Indiax High

131,41 145,04 189,15
143,22 143,21 198,88
133,95 130,80 177,04
120,26 235,99 177,04
120,26 235,99 145,31
120,15 207,72 275,79
152,43 190,24 207,41
130,95 136,22 185,37
139,91 113,91 150,40
237,28 296,88 483,01
167,04 191,07 216,60
64,20 96,51 87,78
122,88 95,93 170,10
350,26 433,69 594,76
980,42 7262,48 2847,08
174,30 177,62 223,30
56,49 59,17 77,59
188,46 189,17 214,65
277,07 229,35 40,38
240,03 253,60 342,00
102,19 129,32 155,79
190,19 254,21 24,98
131,62 131,78 176,56
110,35 135,23 176,56
110,35 135,23 176,56
110,35 135,23 176,56
110,35 135,23 176,56
110,35 135,23 176,56
110,35 135,23 176,56
110,35 135,23 195,04

140.99 148.76 135.42 150.73 178.58 183.01 216.70 233.91 127.64 104.13 178.86 130.80 123.8 175.14 149.53 187.99 192.73 121.50 130.37 158.12 173.83 165.99 291.78 131.31 125.77 176.65 135.78 142.08 178.69

Sentiment was mixed around the Pacific Rim, although post-

earthquake speculation arose in Seoul and Taipei.

SEOUL saw an end to its four-day slide as active demand re-emerged on speculation that the earthquake in Japan would lead to sales increases for local companies. The composite index was 9.70

better at 966.66 after touching 973.94. Brokers said tha government's plan to ease its liquidity squeeze for the first quarter and an agreement among stockhroking houses to huy more shares also hoosted investment interest.

TAIPEI improved 1.7 per cent on strength in cement and steel companies, which could henefit following the earthquake in Japan. The weighted index put on 107.73 at 6,623.52 in turnover of TS61.2bn.

Chia Hsin, Taiwan Cement, China Steel and Tung Ho Steel all rose by the daily 7 per cent limit. One hroker observed that Japan was expected to reduce steel and cement exports to Taiwan because of an increase in domestic demand at home. thereby increasing the likelihood of price rises in cement

and steel products.
HONG KONG edged ahead, but turnover was thin after the strong rally earlier in the week. The Hang Seng index finished 23.69 higher at 7,630.20 as turnover shrank from HKS3bn to HK\$2.2bn.

SINGAPORE's property stocks were hit by late selling after a government land sale hrought lower than expected prices. The Straits Times Industrial index slipped 2.48 to

2,103.56. DBS Land gave up 16 cents at S\$3.62 as speculation that it planned to launch a new project shortly at attractiva levals to encourage buyers ressed the stock. KUALA LUMPUR ran into

two days and the composite index receded 8.02 to 918.74. Malaysian Airlines jumped 65 cents to M\$8.30 on rerating by analysts following its link

profit-taking after its strong

performance in tha previous

ith Virgin Atlantic. BANGKOK featured buying in Electricity Generating (EGCO) and telecommunications issues as the SET index climbed 20.42 to 1,285.57, EGCO added Bt5 at Bt59 in turnover

of Btl.5bn, some 24 per cent of total market volume.

Bt3 to Bt80 in Bt418.1m turnover on expectations that the company would reap good profits from a contract to install 2m telephone lines in the Bangkok metropolitan area.

KARACHI dropped at the close amid selling pressure in selective hlue chips which brought the KSE 100-share index below 2,000 to finish 20.70 down at 1.987.97. SYDNKY ended higher on a

late rally in futures prices. The All Ordinaries index gained 80 at 1.8886, the day's high, in turnover of A\$\$47m.

WELLINGTON saw late buying of leaders which took the NZSE-40 capital index to its highest close so far this year, adding 19.06 at 954.68, in high TelecomAsia railied for a turnover of N2\$42.8m.

SHERRY BAR

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EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES Local currency terms % Change % Change Jan. 13 % Change % Change Market 1995 over week on Dec '94 Latin America 362.93 791.87 1,148,895,972 Colombia 1,211,54 Peru Asia China' South Korea (658) (20) (159) (25) (25) (25) (25) (103) (42) (114) (36) (147) (40) (5) (8) -9.2 -14.1 -6.7 -12.9 -7.7 -9.8 -2.0 -8.1 -2.1 -8.8 +1.3 -3.8 -7.3 -8.6 -0.1 -11.8 -4.7 -7.6 -3.6 -3.0 -9.0 -9.0 -9.4 +0.7 +0.8 65,17 127,56 69,52 133,25 -8.9 +0.3 -11.5 -4.6 -4.4 -10.2 -7.3 -3.4 -3.2 -8.9 259.64 151.75 Philippines 307,30 149,93 113.65 90.13 126.62 111.34 Indonesia 242,42 358.77 171,95 352,56 502.29 Sri Lanka* 352,07 Euro/Mid East 220.86 Hungary Jordan 152.62 225.00 Portuga 119.52 130,08 117.10 2,198,21

Indices are calculated at and-week, and weakly changes are percentage movement from the produce Friday. Base data: Dec 1938–100 except those noted which are: (1)Feb 1 1391; (2)Dec 31 1932; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (5)Jan 4 1991; (7)Nov 8 1992; (4)Sep 28 1990; (6)Jan 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (13)Dec 31 1992; (13)Aug 4 1998; (14)Jan 2 1993.

Emerging market strategists have been running fast to keep up with developments following the recent crisis in Mexico, writes John Pitt. In an effort to create some order out of the current chaos, Mr David Roche and his team at Independent Strategy conclude in a recent analysis that a country's financial markets will emerge truly only if the economy is restructured.

"Mexico has proven that some markets will submerge if they do not. The recent crisis may come and go, but we are convinced that it will change emerging market investment profoundly, purging it of the excesses of a fad . . . and that is healthy." It follows, the team continues, that "emerging markets without the right macroeconomic policies for restructuring will underperform this year as funds are withdrawn and parked in US dollars; rising US interest rates and a rising dollar will see to this". Countries in this category include Hungary, Thailand, the Philippines, India, Pakistan and a number of Latin American nations, with the exception of Chile. Countries taking steps to restructure include Indonesia, Korea, Taiwan, Chile and Poland.

103.72 112.13 104.58 99.13 79.00 157.82 187.41 169.33 131.47 49.51 196.32 281.62 757.57 136.40 44.79 129.78 191.48 80.23 148.75 103.05 82.57 121.58

111.28 105.92 143.57 99.39 102.05

118.00 95.09 140.80 102.47 106.43 115.57

-0.6 162.81 107.78 137.07 145.57

149.84 119.42 238.56 179.49 154.07 135.17 286.18 199.72

196.16 332.92 298.43 121.27 226.35 155.77

168.21 160.10 217.02 150.23 154.25 178.36 143.73 212.82 154.89

731.92 145.18
142.80 142.85
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100.47 129.76
200.71 120.89
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358.16 441.53
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173.47 170.77
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154.75 183.93

141.53 148.01 134.70 148.91 182.59 214.70 128.40 103.71 129.73 121.73 150.07 188.24 120.93 129.73 179.06 197.88

175.55

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

US Dollar Index

185.40 180.25 181.26 127.27 181.86 184.32 125.75 181.86 184.32 125.66 121.24 125.66 121.24 12

Pound Sterling Index

156.20 102.59 170.24 111.81 158.87 104.34 142.96 93.88 120.17 78.93 239.82 157.38 181.19 119.00 155.18 101.92 135.40 88.93 282.05 185.24 198.55 130.41 75.12 148.06 95.93 416.35 273.45 1172.55 770.10 207.19 138.08 67.15 44.10 197.85 129.95 329.36 216.51 282.45 182.08 121.43 78.47 156.45 102.76 131.17 88.15 185.13 121.59 181.55 119.24

19224 181.85 119.26 132.73 186.26 1
177.46 187.60 110.07 140.99 149.76 170.45 180.96 105.73 135.42 150.73 1
230.35 277.55 142.88 183.01 216.70 2
160.65 151.72 99.65 127.64 104.13 1
184.84 155.48 102.12 130.80 122.38 188.21 177.75 116.74 149.53 187.99 152.83 144.43 94.88 127.50 130.37 152.83 144.43 94.88 127.50 130.37 152.75 156.08 102.51 131.31 125.77 170.90 161.40 106.00 135.78 142.03 184.86 174.88 146.87 175.68

Gross Div. Yield

3.97 1.14 4.24 2.86 1.44 3.17 1.83 4.15 3.34 4.16 3.36 4.81 1.83 2.37 4.48 2.27 4.28

2.83 3.11 1.38 1.17 2.01 2.87 2.48 3.37 2.02 2.13 2.96

-0.2 2.33

0.2 -0.5 -0.4 -0.5 -0.5 -0.5 -0.5 -0.5 -0.2 -0.1

FT-ACTUARIES WORLD INDICES

NATIONAL AND REGIONAL MARKETS Figures in perentheses show number of lines

New Zealand (14).

Sweden (48) ____ Switzerland (47) ___ Theiland (46) ____

North America (816). Europe Ex. UK (518)

USA (513).

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